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NATIONAL BUSINESS REVIEW

Incorporating Admark 60 cents

Inside

1800 staff needed for $16m petrol rationing plan

A CONFIDENTIAL Government report estimates that petrol rationing will cost $16 million and take 10 months to implement.

And the 1800-strong army of bureaucrats needed to keep the scheme working in second and subsequent years will cost at least $11.5 million annually.

The Government has been advised to implement all but the final stages of the scheme, which was outlined by Energy Minister Bill Birch last month.

The recommendation is contained in a confidential 38-page report which is being circulated among interested parties.

According to the report, the rationing scheme would take 10 months and cost $1.168 million before it could be implemented.

Rationing could then be introduced in four weeks.

"Because of the long lead time, it will be necessary to commence preparation as soon as possible, if the scheme is to be brought to the stage where it could be implemented at short notice, the report says.

Outlining the plan before Christmas, Birch emphasised that it was only a contingency plan for use in the event of a major and sudden cut in petrol supplies.

But because of the complexity of the plan drafted by energy officials, "an interim measure has been formulated."

"This would involve proceeding to the point where coupons are printed and held in storage. A skeleton staff would be recruited and trained and publicity material prepared," says the reports.

The report envisages the establishment of petrol rationing authorities (PRAs) to administer the scheme, and appeal tribunals.

Both bodies would operate on a district basis under Ministry of Energy guidelines.

Users have been divided into five categories and petrol supplies would be split six ways.

Users will be classified as:

- Essential (emergency services and public transport);
- Priority (business vehicles including Government and local authorities and those used by the disabled);
- Non-registered vehicles, split into
  (A) "Priority" (including farm vehicles and petrol-using appliances) and
  (B) "Non priority" (including power boats and motor mowers).
- The "ordinary" classification covers all other vehicles, but refers mainly to private cars.

About 5 per cent of petrol would go into a national reserve and another 2 per cent would be set aside for supplementary allocations.

Essential users, who use another 4 per cent of petrol supplies, would get "normal supplies".

Although they would be expected to conserve, priority-users would be cut back by the same degree as supplies were reduced.

Non-priority, non-registered vehicles and appliances would get nothing, and the rest of petrol stocks would be divided among ordinary users.

For supply cuts of between 15 per cent and 25 per cent, motorists would get between 10 and 12 litres a week — in effect, a cut of between 37 per cent and 47 per cent on current usage.

Under the proposed scheme, vehicle owners would fill out a rationing application form. The Post Office would forward these to the Petrol Rationing Authority, which would enter them on a master file at the Wanganui Computer Centre, using Ministry of Transport terminals.

This master file would be "frozen" four weeks before the introduction of rationing, and available supplies would be apportioned.

Petrol rationing entitlement notices would then be issued. They could be exchanged at post offices for coupons to buy petrol.

The coupons, valid for an indefinite period, could be sold, saved or traded.

Government officials envisage an active coupon market (see Page 7) and the establishment of coupon traders.

The rationing scheme would favour the owners of smaller cars.

Vehicles from nought upwards are divided into six categories, according to engine size. (1200cc to 1600cc is taken as the norm).

Smaller cars would receive up to 8 per cent more coupons than the 1200cc to 1600cc cars and larger cars up to 13 per cent fewer coupons.

Owners of gas-powered or dual-fuel vehicles would get half their expected allocation of petrol.

Implementing the scheme would cost an estimated $16 million in the first year and $11.5 million in each subsequent year.

The scheme would employ almost 1,800 extra staff — 900 in the Post Office, and 680 to process applications and handle the data entry process.

The petrol rationing authority would have a staff of 200 and cost $2.3 million to set up, using up to $3.3 million in a full year. This does not include the 3400 temporary staff needed to handle the initial application for an allocation. Another $1 would be needed for that.

The rationing scheme envisages a five-stage move towards the introduction of rationing.

A special paper manufacturing machine would be imported and the 60mm x 85mm ration coupons printed on watermarked paper.

Application forms would be printed and distributed and the applications processed on to the master file.

Prefranked envelopes would be made ready for the posting of final ration entitlements if rationing was to be implemented. This would take 10 months and cost $3.465 million.

The confidential report warns; "It is important to note that the time required for the various steps in implementing the rationing scheme are considered to be the absolute minimum and could only be achieved with considerable disruption to normal activities and at considerable expense.

"This holds particularly for the data entry on to the master file, which could be carried out in the time stated (five weeks) only if normal and generally important operations were halted during that period."

In the event of a major supply cut, coupons would be distributed to post offices, and *all* motor vehicle owners could receive a basic ration from the Post Office merely by showing proof of vehicle ownership, according to the report.

That would be a simple and crude division of supply to everyone.

"This interim scheme would bridge the initial crisis period before the full scheme could be implemented," says the report.

A staff of up to 50 would take up to 10 months under the interim scheme at a cost of $1.168 million.

ENERGY'S BIRCH ... emphasis on contingency.

The news week

US urges nations to join in economic sanctions against Iran and Russie. New Zealend has a twofold problem in its choice of aetion: its diplomatie need to ahow solidarity with the US, and the possible erippling effect of a trade embargo on the deteriorating economy. Cabinet will consider on Tuesday whether to impose trade senetions on Iran nnd USSR as requested by the American Government. Trade sanctions are unlikely but there may be a ehilling of diplomatic ties.

IRAN will not sell oil to New Zealand in the first half of 1980, though BP did get 10 per cent of the nation's supplies from there in 1979. But BP, whose supplies were cut off by the Ialamic regime, is climbing back into favour. The British oil company Is to refine and sell 25,000 barrels of oil a day for the Iranlnn Nnllonnl Oil Company. And in another important breakthrough, BP is to do a similar deal with the Saudi Arebian Petromin group for 50,000 barrels a day, breaching the American monopoly on Saudi oil.

GOLD topped $700 an ounce, doubling in price since last October, with no apparent limit in sight.

WHOLESALE prices in America increased fnster in 1979 than any other year since 1974, when the economy was hit by the Arab oil embargo.

THE first stage of the Gatt Tokyo Round of tarrif cuts was implemented on January 1. Por New Zealand, the revised Gatt means 9500 tonnes of cheese to Britain and an additional 9000 tonnes to the United Sintes.

A FLURRY of interest was sown in speculntive stocks Brierleys, Mineral Resources, South Cross Minernls, und LM Oil at the Stock Exchnnge. This reflects nervousness over rising oil and guld prices; it has become economic to explore these areas, and such ventures find Government support.

AN upsurge in oil exploration sparked by the latest Opec priee inereases is making an offshore drilling rig hard to find for the Maui partners, Shell-BP-Todd and Offshore Mining.

STATIONARY engine drivers and boiler attendants are baek at work in Auckland after the Federation of Labour took over the dispute. Labour Minister Jim Bolger threatened to freeze wage rates unless the stokers returned to work. And the FOL is convening a meeting of all pulp nnd paper unions on Wednesday to discuss the dispute which has shut down New Zealand Forest Products Kinleith Mill for two weeks.

MOUNT Cook Airlines is cutting fares by up to 25 per cent on some routes. But Air New Zealand wants a 10-16 per cent increase in domestic uirfares, freight and charter to offset higher fuel prices. The Air Services Licensing Authority will hear the application, the third in less than a year, on February 5.

The weeks ahead

PRIME Minister Muldoon will be making a state visit to the Phillippines from January 27 to 30. He will deliver a keynote address to the Pacifie Area Travel Assoeiation Conference in Manila on its opening day and will be meeting with President Marcos to discuss bilateral trade matters and issues of regional interest.

BRITAIN'S Federation of Sussex Industries will be sending its third mission to New Zealand from February 10 to 16, headed by Mrs Nora Potter, the director-gernal. The 12-company mission includes four publishers. Among the wide range of products offered by the others are a brewing process plant, agricultural and allied machinery, health and beauty therapy equipment, livestock handling equipment and specialised high grade paper.

A PETROL vapouriser, which its two Dunedin designers claim will cut fuel consumption by up to 26 per cent, goes on sale this month.

THE Wellington Central division of the Labour Party will hold a seminar at the Victoria University Student Union on the evening of Friday, February 8, and all day Saturday February 9. The subject of the seminar is "Eeonomic and Social Initiatives for the 80s". The keynote speaker will be Bill Rowling, Leader of the Opposition. Others presenting papers are Reg Birchfield, Dr Allan Levett, Whetu Rolleston, Suzanne Snively, Fred Turnovsky, and Joe Walding.

The business week

Haywrigbts Ltd will effect a complete withdrawal from the Auckland area at the end of February. One outlet will remain in the North Island, in Masterton.

Hume Induatrles has won a third Designmark award for the design of BG Turf Slabs made under licence to two West German companies.

Manthel Holdings Ltd has bought the Lower Hutt branches of Wrightcars Ltd, a Challenge Corporation subsidiary. The cash transaction is understood to be in excess of $1 million and no share exchange will be involved. The sale has been approved by the Examiner of Trade Practices. I. Donald, chairman of Wrightcars, said a static new vehicle market, combined with nil populationg rowth, had brought about a need for rationalisation to support fewer, but stronger, retail motor outlets.

Thiesa Holdings stockholders have been urged to accept the CSR offer by Sir Leslie Thiess, who will serve on the CSR board and will become chairman of CSR International Pty Ltd, now CSR-Thiess International.

Fuel prices speed electrification

by John Draper

GOVERNMENT approval for the electrification of the central section of the North Island trunk railway line is expected in the first half of the year.

Final details of the scheme, which will lead to complete electrification between Auckland and Wellington, are being prepared by Treasury and the Railways Department for Cabinet consideration.

Rising fuel prices, which are adding millions of dollars to the Railways costs with every Opec increase, are now thought to put the case for electrification beyond doubt.

For several years all North Island track construction, bridges and tunnels have been built in expectation of eventual electrification.

The hilly Palmerston North-Taumaranui section, where electric locomotives are most efficient, will be the first to be upgraded in the $200 million plus scheme. And the work, which will take several years to complete, will give a boost to local industry.

Though locomotives will be bought overseas at a cost of around $1 million each, $200,000 more than the diesel locos otherwise needed, cable, pylons and other componentry will be supplied locally.

Low traffic densities make uneconomic the electrification of other lines, apart possibly, from the track to the Bay of Plenty through the Kamai tunnel.

Exchange Rates

As at January 17, 1980, $1NZ la worth:

Auatralla	.883
Britaln	.4337
Canada	1.1432
Fijl	.8136
Japan	232.94
West Germany	1.6833
USA	.9828
Austria	12.18
Belglum	27.34
China	1.4491
Denmark	5.2871
France	3.9440
Greece	37.41
Hong Kong	4.7649
India	7.7553
Italy	786.98
Malaysia	2.1338
Natherlands	1.8551
New Caledonia and Tahiti	71.94
Norway	4.8173
Paklatan	9.6941
Papua-New Guinea	On appln
Portugal	48.86
Singapore	2.1116
South Africa	.8038
Spain	64.78
Sri Lanka	On appln
Sweden	4.0540
Switzerland	1.5498

The week

Sanctions chill NZ prospects

by John Draper

AMERICAN trade sanctions against Russia are already hurting New Zealand exports.

Manufacturing beef prices are sliding on the important New York market as dealers get jittery at the prospect of a grain surplus.

More than 70 per cent of New Zealand's beef exports are to the United States, where a price fall of one cent can mean a $1 million out in export earnings.

As yet it is impossible to assess the long-term effect of the price fall, which may be nothing more than American over reaction and speculation.

But it is typical of the overall impact of any sanctions that President Carter does enforce — the small nations get hurt more than those at centre stage. And if nations like New Zealand, fail to do what their larger nllies want, they face possible discrimination in future trnde negotiations.

The balance of trnde with Russia runs heavily in New Zealand's favour: exports of $129.3 million; imports of $5.3 million in the year to June 1979. And Russia has heen huying steadily since.

9000 tonnes — almost all the early season mutton — was sold to Russia and more is being sought.

The Dairy Board, late last year, sold a record quantity of butter understood to be around 25,000 tonnes, worth $25 million to the Soviet Union.

And with sales of eheap European Common Market butter temporarily suspended the Soviet buyers are now wanting to buy more.

Wool is New Zealand's biggest export to the invader of Afghanistan, $76 million worth in the year to June 1979.

To Russia, imports from New Zealand are trifling.

New Zealand's meat exports, beef when the Russians can afford it and mutton, were politely descrihed to one exporter in Moscow ns being of thumhnail size in comparison with total Soviet imports.

To New Zealand, the Soviet Union is more importnnt than the size of sales would suggest. The presence of Russia as a huyer for wool and mutton in particular ensures better prices.

Bowing to American pressure, at least in the short run, would cost New Zealnnd and Contradict Prime Minister Roh Muldoon's initial decision not to enforce sanctions against Iran, though since clouded hy a specific American request to stop wool sales.

The balance of payments, running at a deficit, seems almost certain to dictate any decision the Cabinet might take this week.

Added to that is Muldoon's expressed displeasure at President Carter's acceptance of a 1.25 billion pounds floor for beef exports, apparently contradicting an earlier assurance by Carter that the floor would not go below 1.3 billion pounds.

Muldoon's anger prompted him to publish letters to and replies from Carter late last year.

Also to be taken into consideration is the evident ineffectiveness of trade sanctions against Rhudesia.

Sanctions made life tough for the Rhodesians hy breaking established trading patterns, but failed to hring the nation to its knees as Britain expected. Russia, with its east European satellites and wider sphere of influence, will be impossible to eontrol.

Fishing is being canvassed as one area New Zealand could hit to express its support for the Americans and opposition to the Russian takeover In the Middle East.

Suspending joint ventures immediately raises questions of compensation to local companies now into their first season with Russian partners. And to evict the 19 Soviet trawlers fishing under licence in the 320 kilometre off-shore economic zone would he held as a breach of the international convention.

More likely is a mild chilling of relations with the suspension of any exchange visits, scientific programmes and agreements which in the short term at least will have little effect on the national purse.

Tax ruling: commissions not viewed as wages

Melbourne Correspondent

THE New South Wales Supreme Court has ruled that commissions paid to independent insurance agents are not wages, and eannot be regarded as such by taxation officials In the assessment of insurance companies' pay-roll tax.

The test case, brought by two insuranee companies against the New South Wales Commissioner of Pay-Roll Tax, hinged on the changing status of those "canvassing" for insurance business.

The insuranee companies argued, successfully, that pay-roll tax on commissions was heing paid pursuant to tax legislation of the early 1940s in which the term "canvnssers" referred to salnried employees of the insurance companies.

These employees, the court held, had been systematically engaged in full time canvassing for husiness from door to door, under the supervision of the insurance companies' staff.

They had constituted in their day a clearly defined class of "eanvassers" on whose wages a pay-roll tax could lawfully he levied.

But this was not the case today. Commissions were paid to independent insurance agents and brokers, who were under no legal obligation to canvass as their principal business, which was taken hy the court to he one of the essential features of "eanvassing".

Independent agents were not employees, and in some cases commissions earned from canvassing were not even their principal income.

The Supreme Court ruling will he "persuasive" in other Australian states, hut the Commissioner of Pay-Roll Tax is reported to be considering an appeal.

New charges were not imposed by union

IN the issue of November 26 last year, *National Business Review* reported that an additional charge of $650 for unloading certain containers had been imposed in Wellington hy the Wellington Waterside Workers' Union.

The article was published in good faith, but subsequently we learned that, such additional charge in fact had heen imposed by Container Terminals Limited, the company which employs Wellington watersiders. The new charge resulted from a procedural change which requires some containers (those known as LCLs, or less than container load) to he unpacked at Wellington wharves, as reported in *National Business Review* on December 3.

National Business Review sincerely regrets any embarrassment to the Wellington Waterside Workers' Union, its executive and members that might have heen caused hy its earlier article, and acknowledges that the new procedures were required to ensure a uniform interpretation in all New Zealand ports of guidelines laid down by the Federation of Labour for unloading containers.

The week

Defiant retailers take law into their own hands

by Warren Berryman

THE low prohibiting Saturday trading is being openly challenged by a large group of Auckland retailers.

Members of the newly formed Inner City Progressive Retailers Association resolved last week to open their shops every Saturday in a bid to change the law by defying it.

Associotion members contributed $1000 for an advertisement in the *Auckland Star* to inform the public that Queen Street, the hub of the commercial capital, would be open Saturday mornings.

Each member will decide whether to openly defy the law and risk prosecution or circumvent the law through a legal loophole which allows a shop to open Saturday as a charitable bazaor. All profits after deducting expenses are then donated to charity.

It is estimated that at least 100 reloil outlets in the Queen Street area will open Saturdays.

General consensus at last week's meeting held it was fruitless to work within the law by applying to the Shop Trading Hours Commission for permission to open Saturdays.

The commission has three members: a Queens Council, a retailers' and a union representative.

Ken Morgan, owner of Auckland's International Market, chairman of the Campaign for Saturday Trading, ond long-standing battler against the prohibition on Saturday trading, advised the meeting that applications for a Saturday exemption were usually turned down by the commission, two votes to one.

The only alternative was to change the law by defying it and demonstrating a widespread public demand for Saturday trading, Morgon said.

After toying with the idea of taking over the 260 member Central City Businessmens Association, the 45 retailers at the meeting decided to form an incorporated society of their own.

Co-ordinator of the association, Mike Dow, said the aim of the association wos to revitalise the inner-city area. Saturday trading was one meons towards that end.

Formed in mid-December, the association has already defied the law by opening Saturdays during the Christmas shopping period. One Saturday, 150 shops opened and tens of thousands of Aucklanders flocked to the central city to shop.

As association members passed out "I'm a Saturday Shopper" stickers, trade unionists tried hopelessly to stem the tide of shoppers with placards.

The Auckland press, particularly the *Auckland Star*, championed the cause of the rebel shopkeepers.

Last week Auckland ad agency Dobbs Wiggins McConn Erickson released results of its own consumer survey showing 68 per cent of respondents favoured permanent Saturday shopping. 8 per cent were undecided, ond 24 per cent did not support the change.

Mike Dow interviewed shoppers and said he found whole families shopping together, browsing in a leisurely fashion, who told him Saturday was the only time they could do this.

Don also found shoppers who said this was the first time in years they had shopped in the inner city. More important, he found people who admitted that had it not been for the Saturday shopping opportunity, their disposable dollars would have been spent in the pub or TAB.

Don said Saturday trading in the inner city would help the tourist industry. Foreign tourists arriving in this country's major port in a weekend now find New Zealand closed and shuttered.

Aucklond's revolt against the Shop Trading Hours Act began with clothing retoilers early in December. The bright new fashions were not selling. Fashion retailers and manufacturers were overstocked with rapidly dating fashions.

In a desperote bid to unload stock, manufacturers began dumping goods from factory outlets on Saturday mornings at rock bottom prices. Retailers responded by opening Saturdays in blatant defiance of the law.

The uneven nature of Saturday trading exemptions granted by the commission severely disadvantaged many retailers.

Suburban Parnell shops ore allowed to open Saturdoys and the public flock in their droves to this island of free enterprise surrounded by a closed city.

Just down the road from Parnell is Newmarket where shopkeepers, forced by the law to remain closed, watch enviously as the throng passes by their closed doors on the way to Parnell.

The Saturday trading rebellion moved to the inner city helped along by a bus strike that cut transport to the city on weekdays. Inner city traders have been losing business to suburban shops due to expensive transport, curfew days and difficult parking. The bus strike was the last straw coming as it did at the height of the Christmas shopping boom.

The rebellion was organised largely through the efforts of Mike Dow, who owns Record Warehouse, just off Queen Street.

Retailers report that on the first Saturday of the rebellion the Lobour Department inspectors were selective in the shops they visited.

Widespread suspicion among the retailers suggest the Labour Department was out to find and prosecute the gangleaders of the rebellion. On the second Soturday the inspectors visited most of the shops that took part in the rebellion.

If prosecutions ensue, the legal proceedings promise to jam up the courts for months.

Some retailers report that breaking the law is worth while in light of the consumer demand for Saturday trading. One retailer told last week's meeting that he had been open seven days a week for the last three years and his fines only totalled $55.

The rebellion was not without its humorous side. One retailer thought he might get around the law by selling lemons and giving away jewellery. The price of lemons had a curious relotionship to the jewellery given away.

Ken Morgan's International Market hos been fighting the bureaucrats to remain open Saturday for three and a half years.

He now has 70 stall holders in his building which trades on Saturday as a charitable bazaar.

The last time Labour department inspectors visited Morgan's market they wanted names and addresses of all stallholders. But the inspectors happened to get caught up in International Market's fire drill, the stallholders were not at their stalls.

On another occassion Morgan was required to post all the names and addresses of stallholders. He did — in Japanese, a language the inspectors did not understand.

Morgan lost that one in a court case.

The Shop Employees Union stands out as the major adversary of Saturday trading. Following the deluge of publicity given to the rebel shopkeepers, this union and others bought a full-page ad in the press. The cartooned ad depicted Saturday trading as a threat to New Zealand's traditional weekends of sport and family activity.

The rebel shopkeepers think this concept is outdated and that New Zealand should bow to consumer demand and rejoin the 20th century. The rebels are convinced that if they can crack Auckland the rest of the country will follow suit.

Air fares: public resistance likely

by John Draper

STANDBY for a new range of discount fares to cushion the 16 per cent rise Air New Zeoland is seeking on domestic tariffs.

The third increase in less than a yeor, taking the cumulative total to 38 per cent, will send the non-business local traveller by road, rail or ferry — if be doesn't choose to stay at home instead.

Air New Zealand has already experienced that reaction. Loadings dropped in September and October, immediately after a 11¼ per cent fore hike followed a 10 per cent increase.

Traffic recovered through November and December, but Christmas holiday loadings over the December 22-26 period were down 7.2 per cent on the corresponding days in 1978.

Air New Zealand was not the only carrier to suffer. Bookings for the Cook Strait ferries were down by 10 per cent and up to 30 per cent of those booked on some sailings failed to turn up.

The Air Services Licensing Authority is expected to approve the fare rises on February 5, but the oirline cloims it is already losing a $1m a month while it waits.

Air New Zealand will have a lot more empty seats to fill, as many off-peak flights become little more than repositioning exercises to cope with the next rush.

Only half its passengers comprise the captive businessman and international tourist. The rest are more price conscious "recreational" travellers.

The airline's dabbling with incentive fares last year, offering 30 per cent discount on selected flights paid for in advance, succeeded in generating new traffic.

Now the scheme is being tailored to persuade the reluctant air traveller to fly without diluting the revenue from the businessman and overseas tourist.

For road operators and the railways, the higher air fares should provide an opportunity to effectively compete with Air New Zealand by price, specially if the many frustrating time-wasting hours can be cut from timetables.

The Week

Fibreboard to take up the slack for NZ Particle Board

by Warren Berryman

IN a bid to change its faltering fortunes, New Zealand Particle Board Ltd is spending $5 million to convert 50 per cent of its Kumeu plant to the manufacture of medium-density fibreboard.

The product shift, according to general manager Bob Walkington, is designed to tap into a rising market for the newly developed fibreboard and reduce pressure on the over-supplied market for particle board.

Walkington said he hoped the move would enable the company to fully utilise the slack capacity in the $20 million plant.

NZ Particle Board, a 50/50 joint venture involving NZFP and Auckland plywood manufacturers, Henderson and Pollard, was set up seven years ago at the height of the building boom.

A series of town-planning objections delayed the opening of the new plant for two years.

Then the demise of the local building industry killed the market for particle board and left competitors scrabbling for an ever-diminishing share.

NZ Particle Board cut back production, leaving much of the plant idle. Staff layoffs ran to 40 per cent.

Walkington said one of the company's major assets was a loyal work force — an asset that makes possible the present product shift. But new job opportunities are unlikely.

The raw material for both particle board and fibreboard is a by-product of the forest industries — wood chips from forest thinnings, sawdust, chips and so on.

Particle board is made from chips, fibreboard from wood that has been further reduced to a fibre pulp.

Announcing the plant conversion, NZ Particle Board's chairman Doug Walker said: "It has been decided to recognise the public preference."

He paid tribute to the steps which Canterbury Timber Products has taken in moving into the traditional particleboard market and in establishing panel products as an alternative to solid timber. "Their sales promotion has excited our admiration," he said.

Henderson and Pollard marketing manager David Stone, who recently has been concentrating on NZ Particle Board's sales problems, said fibreboard and particleboard complement each other.

"Fibreboard is somewhat more expensive but easier to apply a finish to, and the raw edge can be worked and moulded cutting out the need for expensive veneers," he said.

"Elsewhere in the world particleboard is used for the bulk of the product with fibreboard adding the extra something to the outer edges."

DOUG WALKER ... public preference recognised.

DAVID STONE ... no need for expensive veneers.

Government to treat coupons as currency

THE Government is reserving the right to intervene in the marketplace for petrol ration coupons.

Under the "white" market rationing scheme proposed by the Government, petrol coupons may be bought and sold on a commodity basis.

The Ministry of Energy report setting out the scheme (see front page) says "the white market will operate with no controls so that any person or organisation will be able to set up as coupon broker."

Vehicle owners (apart from bulk users) would get coupons every three months. The coupons would be transferable from one period to another.

"A fixed period of validity could have the effect of forcing coupons on to the white market towards the end of a rationing period and this would probably result in a lower market price for coupons," the report says.

The report perceives several advantages:

- Motorists would be able to save up coupons for holidays or emergencies;
- There would be no pressure to use all an allocation in the ration period;
- Service stations wouldn't have to check their validity;
- Printing is simpler.

But there would be problems with saving coupons.

By the time a motorist took a holiday, the petrol supply situation might have worsened. There might not be enough petrol to match the demands, particularly at holiday times.

Perhaps anticipating this problem, the report suggests: "In the event that the Government wishes for some reason to reduce the stock of unused coupons held by people, it need only reduce the next ration allocation, and hold back more petrol from sale."

Thus the Government would still control the supply of the commodity that the rationing coupon was designed to regulate.

The report goes on: "alternatively, if an immediate need to reduce consumption further arises, the Government could declare at any time that coupons are valid for only a specified percentage (most likely 50 per cent) of face value."

In other words, the "petrol currency" could be devalued overnight.

If such a move was thought likely, there could be a rush to consume, precipitating the devaluation.

Speculators might establish a futures market in coupons.

One possible stabilising influence on the white market could be the Petrol Rationing Authority (PRA).

The report suggests: "The PRA may in extreme circumstances offer ration coupons for sale to the public, by reducing the amount of petrol held in the National Petrol Reserve."

Alternatively, the PRA presumably could increase that reserve, or even buy back unused coupons.

The PRA could end up the Reserve Bank of the petrol market, with the amount of coupons in circulation having a changing relationship to the amount of petrol available.

There are other fishhooks.

Bulk users would be eligible for a "licence" to dispense so many litres, checked against a running balance.

Responsibility for the scheme would largely fall to them because the 10 inspectors envisaged by officials would also have to audit all the country's garages.

Much would depend on the original allocation. Officials frankly admit the scant possibility of checking priority users' calculations of what they require, even though this would be based on previous proven consumption.

Officials have opted for the "coarsest" method of allocating to ordinary users with engine size the only variable affecting an equal share from the pool.

Non motorists would have to buy coupons for their petrol needs.

Officials anticipate administrative problems with vehicles changing hands, and owners changing addresses, if the scheme is to work smoothly.

Comment

EDITORIAL

ILLEGAL Saturday trading has been said by some retailers to have reached "anarchic" proportions, and the Department of Labour which administers the legislation obviously is unable to halt the spread of the retailing rebellion.

The Retailers Federation executive, along with most retailers, opposes Saturday trading, but some of its major members are in favour. The Shop Employees Union also opposes Saturday trading, and has warned of "blacklisting" offending businessmen with the support of the FOL by banning deliveries. But recognising that community attitudes are changing, the union is organising a full round of meetings with members to reassess its attitude.

The social scene has changed significantly since the 40-hour week was introduced, of course. Today there is a much greater number of working wives and people working overtime of necessity, making it nigh impossible for many to shop during the five-day week.

And the law is riddled with dodges: some retailers have been giving Saturday proceeds to charity; some sell fruit they have grown and "give" away goods (the customer pays $20 for a lemon and is given a $20 watch).

The latest furore has exposed the ineffectiveness of policing provisions and penalties. The Shop Trading Hours Act has a maximum $500 fine for after-hours trading, but there is no minimum; some offenders have been fined as little as $40, and the penalties obviously do not serve as a deterrent.

The Government must consider a few fundamental questions. First, does the public want Saturday trading? Almost 70 per cent of 150 people surveyed by an advertising agency recently wanted Saturday trading. When Auckland shops opened on a Saturday just before Christmas, they were mobbed by thousands of shoppers. Parnell, an area where Saturday trading is permitted, on a Saturday is like a carnival, bubbling with a happy family atmosphere. Hundreds of Wellington people drive the 40-odd miles to Paraparaumu to shop on Saturdays. The demand is there.

Next question: will Saturday trading threaten the 40-hour week? Shop assistants, working under an appropriate award, shouldn't be forced to work hours they do not want. But surely supplementary help should be recruited from the large pool of unemployed.

Finally, is the law fair? No. Shops which may open on Saturdays have a clear commercial advantage over those that do not. And by requiring shopkeepers to screen off weekend wares from those that may not be sold, extra costs are generated and passed on to the customer.

Saturday shopping regulations, essentially, are a manifestation of the paternalistic idea that Government knows best, which arrogantly and absurdly assumes that a politician knows better than the citizen what is good for him.

Politicians certainly can't say they are enforcing the majority will by closing shops on Saturday, and a Government which espouses the free enterprise philosophy should fix no shop-trading hours. Market forces are fundamentally democratic; if the public wants Saturday trading, they will spend on Saturdays. If the public feels strongly against Saturday trading, Saturday traders will go broke without the need for Government intervention or public expense on law enforcement.

Weekend pay rates to staff penalises the Saturday trader, so there would have to be a particularly strong public demand for Saturday trading to make it worth while.

If any remnant of a belief in limited government remains, the limits on state power should be redrawn, at least to free a man to run his shop when he wants to and the public to buy when they want to. Shopworkers should have the choice of withdrawing their labour, provided they do not disallow others from working instead.

The resultant freeing of market forces would promote efficiencies while costing nothing to apply and cutting out the hefty sum spent on administering the rules.

The Kiwi is obsessed, alas, with the planned economy, but the present state of the nation should be ample proof that an army of bureaucrats making and changing a plethora of rules cannot achieve the efficiencies of a free-enterprise system.

As for the rectitude of the rebel shopkeepers in breaking the law, it all comes back to the question put to Socrates: why obey an unjust law? Obedience perpetuates injustice. Disregard and defiance of the law, don't forget, fostered private radio stations, licenced restaurants and an end to the 6 o'clock swill.

Bob Edlin

Without word of a lie

Oh, Brother! What ferment

FELLOW bacchants! Beware the brew that cometh in cardboard cartons, purporting to be the product of the holy grape, for it is not always so.

Brother Dominic hath strayed from the paths trodden by winemakers of olde, producing by chemical means a brew closely resembling the juice of the fermented grape. And the lord god Bacchus is not pleased.

He hath sent his health inspectors to shew the brother the righteous way. But after redressing his habit Brother Dominic is continuing to walk into the valley of profits. For Brother Dominic claims to have gained a lead over his brethren which is he loathe to forsake.

Brother Penfolds tried to satisfy the thirsty millions last year using Australian grape sugar. But the other brothers complained and the courts held that their case was just.

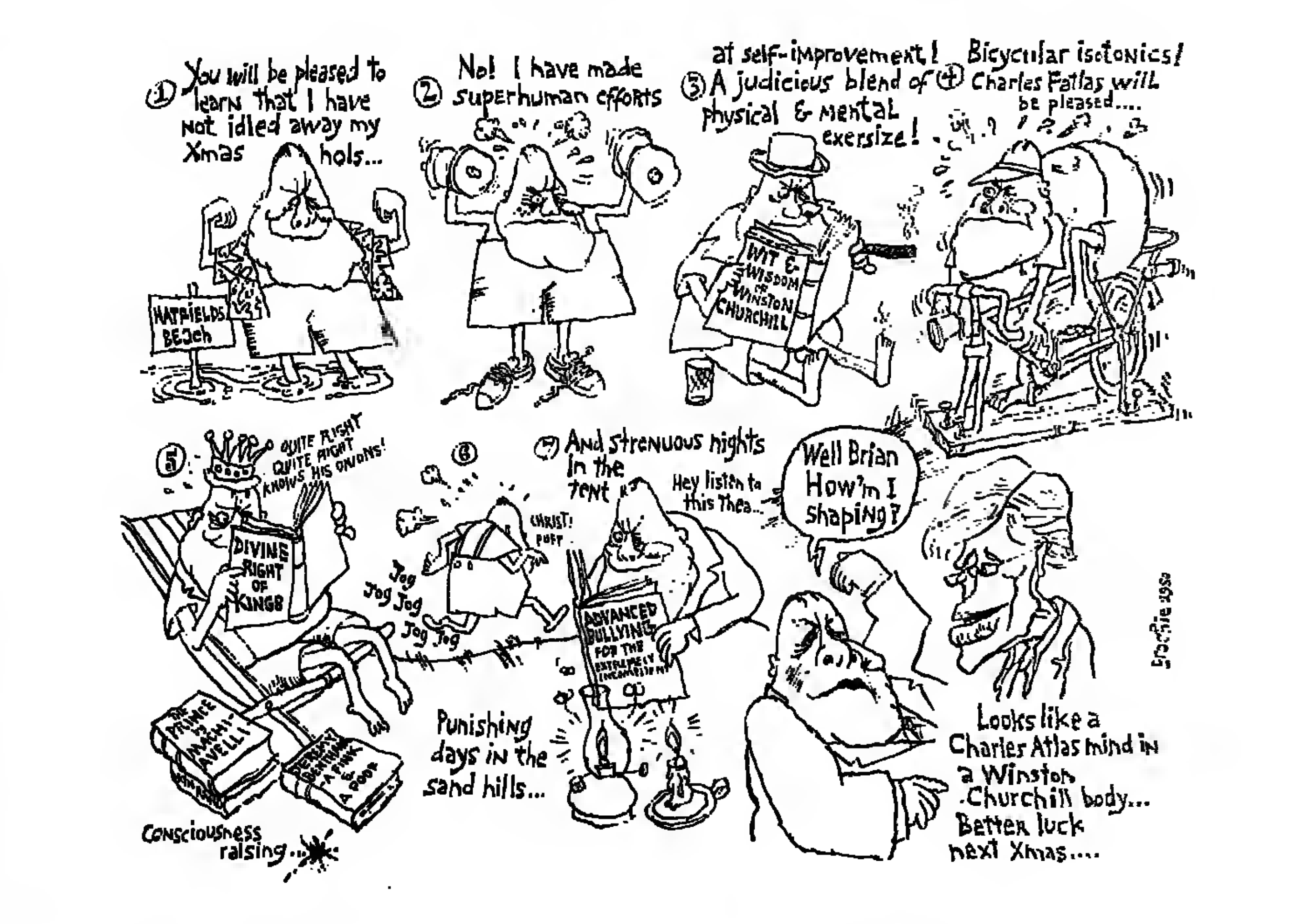
And Brother Penfold was grieved. For in his vineyard there were large quantities of product brewed using the banished Australian grape instead of Fijian sugar cane.

After many months the brothers got together. The brew was released for sale to a thirsty public and Brothers Montana, McWilliams and Corbans did generously dig into their private means to compensate Brother Penfold for the losses that he did incur.

There is a moral to this tale. Plant grapevines in quantities large and in the short run ye shall harvest a ripe profit sub-contracting to the brothers. For the thirst of Bacchus far outstrips the capacity of the brothers to produce real wine.

Penfolds will be marketing later this year a non-alcoholic grape and apple juice mix using the remainder of the $250,000 shipment of Australian grape sugar.

Brockie's view



Driving out city's meter money

JUST outside the window of *NBR's* Auckland office a social drama unfolded just before Christmas which may have a moral of the geese and golden eggs variety behind it.

The Traffic Department blitzed Airedale Street sending in meter maids four to five times a day.

First it was just $3 tickets festooning the windshields. Then the meter maids started handing out tickets for overstaying the one hour limit costing $10 to $11 each.

Rumblings came from within the offices. Tickets were costing more than a day's wages. It was reaching the point where it was not worth coming to work.

Then the cars started disappearing from Airedale Street. Parking spaces soon abounded.

Which evokes the question: did the Traffic Department kill the goose that lays the golden eggs?

New York City went bankrupt in 1975 when the burden of bureaucracy became too much for the business community to bear, then a business population as big as San Francisco's fled New York taking their jobs and tax money with them.

Auckland City bureaucrats are already facing a rate payers' revolt and some businesses have been muttering about moving out of town to avoid city rates.

Undeterred, the city fathers keep talking about such grandoise schemes as a $20 million hall.

Unlike central Government, Auckland city can't print its own funny money to fuel its political promises. At best it can only float another bond issue to pay yesterday's debts.

According to the Department of Statistics local body incomes are not rising as fast as local body expenditure – income up 17.8 per cent, expenditure up 21.8 per cent – an inequation with some interesting Micawberean implications.

The bureaucratic parasite killed its host in New York . . .

Which leads one to wonder, gazing out at emptying Airedale Street, what is happening here?

Kiwis take flight against the dollar

SOARING New Zealand holiday traffic to the United States in times of economic hardship has an American aviation leader amused.

Pan Am's vice president passenger marketing, A B "Sky" Magary, told a New Zealand journalist in New Orleans: "The only people in the world who seem to be able to cope with a situation in which the amount available of the discretionary dollar is disappearing and still travel are New Zealanders.

"I don't have a clue as to why we continue to do such good business in New Zealand, given the economic outlook of the country and what should be a very difficult disposable income problem."

Magary, no stranger in the region, until two years ago was managing director South-west Pacific for Pan Am, based in Sydney.

He was talking to *Traveltrade* magazine editor Tony Glanville, and he warned that South Pacific nations could not expect to see increasing numbers of Americans travelling to their area because of the erosion of the American's discretionary dollar.

Tourist and Publicity Department statistics for the 12 month ending August 31 1979 showed a jump of 68.9 per cent over the same period the previous year of New Zealanders holidaying in North America.

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Comment

Rata's resignation draws out traditional forces

by G V Butterworth

REACTIONS to Matiu Rata's decision to resign from the Labour Party have been varied. They range from those who'd see it in terms of personal pique, through Professor Chapman's vow that no independent can survive an election, to a knee jerk reaction that if the Maori seats are going to be held by the independents it was time to consider their abolition.

In fact there were pressing long-term factors that explain his decision and may even make it possible for him to retain his seat in Parliament at the 1981 general election. Indeed he only requires 4000 votes to be sure of a win and even 3500 if they came from Labour would ensure him the seat.

The potent anxiety of the Labour leadership to win him back shows that they too are well aware of this electoral arithmetic.

Indeed the almost decent haste to seek the support of the branches of Western Maori followed by the appointment of Koro Wetere as Labour's spokesman for Maori Affairs underlined Labour's fears.

Unlike the European electorates which are unstable entities that dissolve under the impact of population movements, the Maori electorates are highly stable. Northern Maori has existed in virtually its present form for more than 100 years.

This means that, compared with Gerald O'Brien and Gavin Downie, the latest independent MP has an electorate with its own political culture and community of interest to appeal to.

Rata can urge his voters to see themselves as Maoris and North Aucklanders with unique interests that only an independent Maori MP could safeguard more plausibly than O'Brien could do for Island Bay or Downie for Pakuranga.

Rata also has the advantages of having been the sitting MP for 16 years.

The first factor to which Rata has consciously chosen to appeal by his phrase "Mana Motuhake", is the political tradition of the Northern Maori electorate.

These words can be colourlessly translated as Maori self-determination. But Rata's odd rendering of it (to Pakeha ears) as "Maori self-reliance and liberty infinite" conveys better the ring of it to Maori ears.

This slogan harks back to the radical phase of the Ratana Movement in the 1920s; then the secular wing of Ratana's following tried as a purely Maori organisation to wrest the Maori seats from the representatives of the pakeha political parties and used it in their campaigns.

This was the time of Ratana's appeal to England for ratification of the Treaty of Waitangi and the rectification of Maori land grievances, the Ratana Bank and the experiment in communal farming at Ratana Pa.

Behind Ratana is the even older prophetic Maori tradition stretching back to the 1860s to Te Whiti and Te Kooti that prophesied the end of Pakeha rule.

The Ratana Church's influence in politics today is a matter of dispute.

Proportionately the membership of the Ratana Church has fallen markedly since its heyday in 1936 when 19.9 per cent of all Maoris were adherents. In 1976 only 12 per cent of Maoris returned themselves as members of the church.

But there could be a degree of understatement of the church's strength because some are wary of stating their church allegiance to Pakeha census takers.

Moreover North Auckland traditionally has been a Ratana stronghold and even in 1971 16 per cent of North Auckland Maoris were Ratana. In Central Auckland in 1971 13 per cent of Maoris returned themselves as Ratana.

Spelt out numerically like this, the church seems a distinct minority. There are certain factors, however, that greatly increase its importance in Maori politics.

First, of course, is that to belong to a Maori church is an indication of a strong Maoriness that is also likely to be reflected in being a registered Maori voter. The comparatively small numbers on the Northern Maori roll could give this group of between 2500 and 3000 voters a disproportionate strength in the 1981 election.

MAT RATA . . . latest independent MP

The figures of voting turnout in Northern Maori are 8076 electors in 1972, 8556 electors in 1975 and 8495 in 1978.

During these three elections, Rata's vote has been about 6000, and has never been less than 70 per cent of the total vote.

Rata, as a minister of the Ratana church, could well exercise an overwhelming appeal to Ratana voters.

Many Ratana are paid up members of the Labour Party and serious defections to support Rata could gravely weaken the Labour Party machine in Northern Maori.

If even 80 per cent of the Ratana church votes for Rata he has a better vote than any of his opponents in the last three elections.

In Northern Maori, too, there is the traditional sentiment of the Kotahitanga (Unity) Movement for Rata to appeal to. First launched in Orakei in the 1870s, there has always been a core of supporters in North Auckland.

Indeed its nominee, Hone Heke, held Northern Maori from 1893 until his death in 1909 and the members for Eastern and Western Maoris also supported it during the 1890s.

Basing its appeal on the belief that the Treaty of Waitangi promised Maori self-government, Kotahitanga asked for a separate Maori Parliament.

Though James Carroll and Apirana Ngata, by the creation of Maori Councils and Maori Land Councils in 1900, met the aims of its more moderate and realistic members and whittled back its support, there always remained a core of believers in a Maori Parliament as the only way to protect Maori land and Maori mana.

Since in practice almost anyone who wishes can be on the general roll, to enrol as a Maori voter means that you value your Maoriness and will support institutions that help differentiate a Maori from a Pakeha. This group also has the energy and ability that may help to give Rata an organisation to mobilise the Maori vote.

The final element that will add to Rata's electoral base is the way economic events are sharpening the diffuse resentment that many Maoris feel towards Pakeha society.

RATANA . . . influence disputed.

Rata, referred to this in saying "the precarious nature of the plight of many Maori people demand a dramatic action."

The fact of the matter is that Maoris, as the poorest educated and most unskilled section of the workforce, have been suffering dramatically from unemployment.

A reasonable guess based on a survey done in 1967-69 is that probably one quarter of the 50,000 unemployed are Maoris. Real unemployment is likely to be greater even than this since the only survey made of *all* forms of unemployment is the five yearly census.

This shows that the unemployed figures held by the Department of Labour always substantially understate those seeking employment.

Even on this limited basis of the Labour Department's figures the degree of unemployment in both North Auckland and the Auckland urban area is formidable. North Auckland in August 1979 had an unemployment rate of just over 9 per cent while the Maori unemployment rate was almost certainly over 15 per cent.

The Auckland urban area in the same period had approximately 3.3 per cent of its labour force unemployed.

But, if one-quarter of the 10,487 unemployed were assumed to be Maoris, then the Maori unemployment rate would be about 14 per cent. In addition many Maoris' income would have been drastically reduced by the cut back in overtime and many families who have undertaken commitments on houses in the boom times of 1972 and 1975 would now have been struggling to meet their commitments.

A number probably have already been unable to do so and have been the subject of mortgagee house sales.

Rata's personal background makes him particularly receptive to the problems of unskilled Maori workers and their families. He had only a limited formal education and was a tradesman with the Railways Department before his election to Parliament.

Indeed, it could be that he feels his demotion is part of the general demotion that Maoris are experiencing in New Zealand life at the present.

The response to his resignation by the Maori community suggests that he may well serve as a focus for all the forces that have been mentioned.

That he appears to have carried a significant number of members of his own party organisations with him must be particularly discouraging to the Labour leaders.

The crowded meeting that the press claims he had in Auckland suggests also that the younger and more radical activists are also rallying to him.

But perhaps the most significant resignation of all is the action of the chairman designate of the National Party's Northern Maori branch, Dennis Hansen, to join Rata in his crusade.

His support demonstrates the very real drawing power of an independent Maori MP spousing traditional political views and acting as a spokesman for Maori grievances.

There was a revival of interest in Kotahitanga ideas in the late 1950s; then its leaders claimed to have gathered 25,000 signatures to a petition.

Resentment over the 1967 Maori Affairs Act strengthened such sentiments and has influenced the ideas of the Maori land protestors.

Kotahitanga has not attempted to run candidates to Parliament so its degree of electoral strength is unknown. Nonetheless if it can muster even 500 voters it could give another significant accession of strength to Rata.

Finally there is the potent symbolism of the Treaty of Waitangi itself. At minimum most Maoris see it as a symbolic recognition of Maori identity, while groups like Kotahitanga and the political wing of the Ratana Church rest a whole political philosophy on it.

In times of trouble and doubt Maori thinking and hopes are apt to focus on it because its very ambiguity and the widespread acceptance of its "importance" makes it useful as a political cornerstone for a movement.

The MP for Northern Maori, with Waitangi in his electorate, will be particularly fitted to envoke this sentiment.

In the next few months Rata almost certainly will begin to make wider use of all these peculiarly Maori political symbols, to the bewilderment of most Pakehas.

He will be responding to the second element of the situation, the resurgence of Maori consciousness in the cities.

During the period of 1940s, 1950s and even 1960s, Pakehas have got used to Maoris being relatively acquiescent and "invisible".

Since 1969 this has changed, first with the emergence of the Maori gangs and groups of young activists like Nga Tamatoa until now there are the major demonstrations of the Maori Land March in 1975, the tent embassies outside Parliament in 1972 and 1975 and Bastion Point.

There is a new generation emerging in the cities who feel cheated of their Maori identity yet do not feel integrated into the dominant Pakeha society.

At the lowest socio-economic level they form apolitical gangs but there are significant numbers of better educated Maori people who feel that Maoris have not received a fair deal from Pakeha society and have latched on to various land grievances to express this resentment.

They have been active in the Auckland urban area and Rata has always been responsive to them.

Historically, every Maori movement of any significance has felt obliged to prove itself by going into politics. Both the Young Maori Party of Apirana Ngata and Sir Peter Buck did this, as did the Ratana Movement in the 1920s.

It has always interested me that the radical activists have not yet felt able to challenge the sitting Maori MPs though they toyed with the idea in 1978.

Rata, however, has given them the accession of a sitting Maori MP and this will vastly enhance their mana. It will also be a litmus test of what sort of support they have among other Maoris since they will now feel confident enough to challenge the other Maori MPs.

The electoral support they can muster is more difficult to assess. But the nature of the Maori electorates probably means that they, or more accurately their sympathesisers, are well represented.

Letters

Manufacturers Federation

THE simplistic and extremely naive attack on manufacturers by Wnrren Berryman (*NBR*, December 17) scarcely deserves a response but just for the record I will set the matter straight.

The New Zealand Manufacturers Federation is commited to the development of a strong and competitive manufacturing sector. The facts are that manufacturers are becoming increasingly export-oriented. Research conducted through our Export Research Programme showed that manufacturers overall intended increasing the proportion of production exported by 60 per cent over the next five years. This remarkable growth is not going to occur through just one or two companies – it reflects a general appreciation of the desirability of increasing exports both to the companies concerned and the country. (My own company already exports more than 50% of its production).

My statement commenting on a speech made by the Hon D F Quigley pointed out some simple facts of international trade which get overlooked by the academic economists and it sees the amateur theorists in the media.

I pointed out that Australia controls seven per cent of its imports by quota and that Korea and Taiwan banned the import of textiles for local consumption. Asian countries have extremely high tariff levels on a wide range of consumer products. The Indonesian tariff of 100 percent on textiles is typical of tariffs in the region.

Facts like these are consistently overlooked by those who wish to paint a picture of New Zealand as a highly protected country surrounded by a world practising free trade.

The Federation totally rejects the specious claim by Mr Berryman that we would be better off with only those industries which had a comparative advantage internationally.

This would reduce our industrial base to very few products and would create an unbalanced and uninteresting society to say nothing of massive employment.

The essential point about the New Zealand situation which the doctrinaire economists don't seem to grasp is that our tiny market can easily be dominated by any one of hundreds of overseas companies who would sell at a loss to get control. This means import licensing as well as the tariff will be necessary in the forseeable future.

The Federation recognises that the whole economy must become more efficient and use resources more effectively. We do not ask for the status quo. But we do expect Government to pursue policies that are consistent with the move towards improving efficiency and increased exports.

This will not be achieved by abandoning import controls to satisfy a nineteenth century – that would be a recipe for certain disaster.

F. Turnovsky
President
NZ Manufacturers' Federation

I MUST take issue with Warren Berryman regarding his "Federation for Efficient Manufacturers".

The inadequately informed reader could only end up more so when he reads: "where local goods have to face real competition in overseas markets they are sold more cheaply than they are sold at home". This is a mischievous and irresponsible generalisation – good copy it may be, but not good reading.

I can only quote with accuracy my own company's figures, but I'm sure we are not alone. We sell our mobile radiotelephone products in many countries and we enjoy the largest share of the New Zealand market – and we are the only wholly New Zealand-owned company in this field.

Spread over a wide selection of markets, in both hemispheres, and with sales running at the rate of some millions of dollars a year, the range of end user prices of the various models is, in all cases *lower* in New Zealand than in any other country. The differentials in favour of the New Zealand buyer range from 20-50 per cent and the product sells well on this price structure throughout the world. Not much gouging of the local consumer in that deal, Mr Berryman.

A M Tait
Managing Director
Tait Electronics Limited

Milk fluoridation

FOLLOWING up your reference to Martinborough's leaning towards using milk as the vehicle for fluoride (*NBR* August 22). I think it might be a mistake to label it a "fun-drink".

Something which would give a child a feeling of self-importance would be better, particularly as the intention of using the milk method is to limit the intake of fluoride, to the scientifically approved safe dose and so avoid risk of excess. For this purpose no more than one drink of one third pint per day containing 1ppm of fluoride is required. It is more likely to be accepted as a "milk product", distributed in specially labelled containers, and in the United Kingdom would then be outside the scope of the Dairy Council.

It would be preferable to reintroduce milk to schools which could be done by milk distributors fluoridating a part of the supplies. The remainder could be "white milk" where parents exercised their freedom of choice, for any particular reason such as it being medically inadvisable as in the case of diabetics.

The clinical trials, conducted by the Borrow Dental Milk Foundation mentioned in your article, show an appreciable reduction in caries in school children who have only taken the fluoride on the 200 days they have been at school. Better results numerically, of course, would result from 365 days.

It's admitted benefit would be lost to children under five it provided only at school, but distribution could be made to them at home from birth.

The milk method costs infinitely less than the method of water fluoridation which would use 16,000 tons of fluoride a year for a population of 55 million against only 7½ tons for every 10 million children, without any guarantee of absence of excessive intake by the individual, and certainly involving wastage of many gallons on other purposes which could derive no benefit.

Phyllis Deakin
Waterlooville
Hunts
England

Services to travel agents

I WISH to point out that there is a serious inaccuracy in your article concerning multi access systems on page 7 of your November 26 issue.

Airline sources are quoted as saying that TIAS in Australia is barred from supporting services offered by foreign carriers which Qantas does not already provide.

Qantas has offered a single access system to travel agents for some years and the level of service provided has been regarded by TIAS as a necessary starting point if the TIAS service is to be competitive.

However there is no intention to limit facilities in the future and indeed we envisage discussing the special requirements of each airline subscriber with that subscriber when they join, with a view to implementation where possible.

In deciding whether or not to support extension of facilities the considerations will be technical feasibility and cost.

Alec Pratt
Manager
Travel Industries Automated Systems Pty Ltd

BNZ Visa advert

OGILVY, Caples or whoever, once said "Ego has no place in the creation of advertising – it simply clouds the issue". (*NBR* Nov 26 1979).

The comparison Mr Martin draws is clearly due to happenstance. To debate the point publicly does the industry a disservice – surely we are faced with far more important issues. To draw the NPA into the debate smacks of short term marketing infighting.

We would have thought the professionals in the industry were above this. Unless of course they subscribe to playing better pianos in better brothels.

Chris Sharp
Focus Advertising and Marketing Ltd

Air NZ's standards

MAY I, as a businessman who has travelled with Air New Zealand fairly regularly in recent years, take issue with John Draper and his references to the Mount Erebus tragedy in two separate articles in your December 10 issue?

Firstly, it must be highly presumptuous to link the crash with a 1968 Ministry merger or the Air New Zealand NAC merger at a time when the results of an official investigation are still awaited.

Secondly, to claim that the tragedy represents an ignominious end to an image-boosting campaign is obviously unfair. Most airlines of my acquaintance have suffered disasters but they continue to compete and market their services and image as strongly as possible. Given its very high standards of operation on all its regular routes, there seems no valid reason why Air New Zealand should be prevented from doing so by an accident which one hopes and expects will prove quite unrelated to its regular operations.

I would have thought that some pride in the airline's achievements and support for its future plans would be a better course for New Zealanders generally, than unsupported speculation as to the cause of a tragedy and over-emphasis on its immediate administrative and financial problems.

A Moore
Managing Director
Quality Packers Limited

The economy

Cost of living: Orewa snores as inflation soars

Economics Correspondent

THE NEW SCAPEGOAT ... world's economy blamed for nation's ills.

FINANCE Minister Rob Muldoon has a new technique for managing the economy. Gone are the days of economic wizardry. Welcome the hypnotist.

The so-called state-of-the-nation speech at Orewa was one big yawn. Predictably, the Prime Minister skirted around the important economic issues of the day and only provided a vague outline of the Government's economic policy.

Instead, under the spotlight of his much publicised speech, Muldoon introduced the public to the newest member of his economic stable, another scapegoat. From now on this year, most of the failings of the New Zealand economy can be blamed on the international economy.

This latest pet replaces an old favourite scapegoat, the previous Labour Government. It stretches the public's credibility to blame the Labour Government for all the country's economic ills since it has been over four years since Muldoon's party has been in office.

Time enough for people to forget Muldoon's claims that international factors did not have a large effect on the New Zealand economy when the Labour Government tried to blame some of the increases in domestic inflation on the 1973 international oil price rises.

And since the international economy never has the opportunity to vote in New Zealand elections, it is a much more attractive scapegoat than another Government pet, the unions.

Inflation, much in the news these past weeks, is largely caused by international economic factors, according to the Orewa speech.

There was a time when the Prime Minister boasted of his ability to get inflation down below 10 per cent. He has never succeeded.

It seems likely that inflation will rise rapidly over the next year. Comparison of prices for the December quarter 1979 with those for the December quarter 1978 shows that over the past year consumer prices rose by 16.5 per cent. When the annual rate of inflation is calculated in this way, it is a record rate for a calendar year.

Another way of calculating the annual rate of inflation is to average price rises for a year and compare this average with the average of price rises during the year before. When the annual inflation rate is calculated in this way, the Government's performance is put in a better light.

The average annual rate of inflation has fallen in each calendar year since 1975.

But no matter how the annual rate of inflation is calculated, it is likely that there will be an upward trend in price rises during 1980. Muldoon is expert enough to know that he won't have a leg to stand on when it comes to proving his success at battling inflation. He will have to ride his new scapegoat instead.

In his Orewa speech, he explained that everything changed on the international front "when the Shah was overthrown and the oil situation became more chaotic than ever before."

Muldoon said "we have now seen the price of oil double in less than a year and we are speaking of thirty dollars a barrel as a reality and there is no indication as to where the price movement might end."

Further, "Oil prices and other factors have led the United States and the rest of the industrialised world into the beginnings of a recession which, at present, seems to be deeper and longer than was anticipated prior to the latest increases in oil prices."

While New Zealand has benefited from the funds accruing to oil producers through lamb trade with Iran, Muldoon points out that "by 1979 the OECD estimated that only about fifty per cent of the surpluses of the oil producers was showing up as increased trade because of the limited ability of their economies to absorb more imports."

"The failure of the policies of OPEC and the destruction of the solidarity of that organisation is doing grave damage to the economies of the oil producers' major customers and the results will boomerang right back onto the OPEC countries themselves."

After painting a gloomy picture of the international world economy, the Prime Minister asserted his belief that "within the next year or two, nothing short of a major exercise in international economic co-operation will save the world from a situation which has not been seen since the 1930s.

In the meantime, "international prices generally are moving up with high levels of inflation in the industrial countries and these increased prices will have to be absorbed internally. New Zealand's terms of trade are likely to decline somewhat this year."

But while Muldoon wants the public to be fully aware of the powerful influence of the international economy, he emphasises that his new scapegoat is fairly tame. He thinks the New Zealand community will "not be suffering too much" from either increased oil prices or other international prices.

Muldoon is not worried about the latest increases in the consumer price index because he does not think that the consumer price index is an accurate "reflection" of inflation.

"Basic inflation," Muldoon says, "is 10 per cent." It is frivolous items like meat and petrol which push the rate of increase in prices above that level.

This can hardly be reassuring for families faced with a 21.5 per cent increase in food prices over the past calendar year and with even larger increases in petrol prices this year.

And the increase in the prices of non-frivolous items such as fruit and vegetables and dairy products increased by considerably above 20 per cent last year. Domestic fuel and light prices rose by over 40 per cent.

The Government must take major responsibility for the rises in power charges and milk prices. Postal charges went up in August and a 20 per cent sales tax was imposed on several items last May.

Interest rates, a potential influence on inflation, continue to ascend. This is partly a result of present Government policy designed to keep liquidity tighter in the year ahead.

Obviously, international economic factors can have an important influence on inflation within New Zealand. But economists are only beginning to be able to assess what the impact of the international economy might be.

The rise in petroleum prices in 1973 had a dramatic effect on prices in New Zealand and elsewhere. Apart from these dramatic events, inflation can be transmitted from a group of countries to another country or countries. The whole world is linked by an interdependent system of prices.

Foreign trade and investment link prices between countries. Or in the jargon of economists, they are the main factors in the "transmission" of inflation.

While it is not difficult to identify transmission factors, it is hard for economists to quantify the influence of these factors. The public is probably befuddled by the jargon and is at a greater disadvantage.

This is another reason why the international economy provides an excellent scapegoat for a clever politician like Muldoon who is able to use public ignorance to his advantage.

The transmission mechanism works in such a way that industrial expansion overseas will eventually result in higher prices for New Zealand's imports. The growth in demand that comes with economic growth will probably push international prices up.

Industrial recession overseas can also push up the prices for New Zealand's imports. As firm's reduce their output, international prices may rise.

Last year, wages kept step with inflation in New Zealand. And while interest rates rose, many investors found it easier to obtain funds than during earlier years. Also, the terms of trade improved slightly.

Muldoon may be right in not treating inflation as a serious matter.

If all prices and values rise at the same rate, the relative prices and values of products remain unaltered. The relative economic positions of people remain unchanged. Nobody suffers from the effects of price changes.

The problem with inflation is that prices and values do not change at the same rate. At any one time, some prices and values increase faster than others. It is this difference in rates of increase that causes most of the bad effects commonly associated with inflation.

Inflation causes income to be redistributed. Economists have little evidence about the extent of this redistribution. But enough change occurs in the short run for some people to feel disadvantaged.

In 1980, wages are likely to rise more slowly than prices. So it is the wage earners who will feel the pinch of inflation and who are likely to feel cheated by increases in consumer prices.

Long-run damage may occur to the economy if interest rates rise as a result of the Government's attempts to control inflation by tightening the money supply and firms cut back on expensive new investment.

At any one time, there will be some group which feels cheated by inflation. A solution to this problem is to encourage broader view of the New Zealand economy instead the particular needs of interest groups.

Muldoon said at Orewa that "one of the most interesting features of the last few months is the clear picture that I get that our people are lifting their eyes from the immediate problems of today and beginning to see a vision of the future."

But this optimism about the future is a poor substitute for firm economic management now. The Orewa speech gave little indication that the Government was prepared to face up squarely to the problem of inflation.

The economy does not need to be tranquilised by hypnosis. It needs to be stimulated towards expansion.

And if food prices rise much higher, Muldoon may be forced to eat his own scapegoats.

Politics

This year — National's turn to change deputies?

by Colin James

GEORGE Chapman has been away these past few weeks deciding his future. What he decides will affect the shape the politics in 1980.

I do not pretend to know what his decision will be, and I do not know anyone who did by last week.

It is not even the sort of decision we dispensers of free advice would care to make for him. Resolving multilemmas is no fun.

Just settling the criteria on which to make the decision poses problems of ego and conflicting interests.

Does he decide it on the basis of his personal future?

As he indicated last year, there is a limit to how long anyone can forsake making money for the thrills of amateur politics. Directorships in private industry would be more appropriate for the champion of private enterprise than succeeding Sir Arnold Nordmeyer on the state-owned Offshore Mining Company Ltd.

There must also be a strong temptation to quit while he is ahead — two wins, no losses. That temptation cannot be any the less for the unhappy state of his relationship with the Prime Minister, who, despite persistent low-grade rumblings here and there for his removal, is much more likely than not to lead the party into the 1981 election.

Does he decide it on the party's interest? And, if so, is it unequivocally in the party's interest to win in 1981, keep a grip on the national development strategy and, incidentally, strengthen the Prime Minister's leadership?

Or is there something to be said for losing in 1981, letting a bumbling Labour Government (if such it proved) set up the conditions for a secure National tenure of power into the 1990s under a leader from the new breed?

Or is the private enterprise cause too fragile to survive without a powerful champion in the organisation to act as foil to a revisionist leader?

There is no obvious successor to that role in the upper reaches of the party — so if Chapman went he would not only weaken National's chances for 1981, but also weaken the impact of the back-to-basics mood in the party at large.

In fact, there is no obvious replacement president.

Auckland's Stuart Masters, long the bridesmaid, seems destined never to be the bride and I understand is heading off to North Canterbury for retirement. The other four divisional chairmen, the usual pool of recruits, either do not want the job or are not ready for it.

DEREK QUIGLEY ... stable.

GEORGE CHAPMAN ... no obvious replacement.

BRIAN TALBOYS ... non-committal.

JIM BOLGER ... stylish.

Another hopeful, Egan Ogier, Wellington divisional chairman until 1978 and now Waikato treasurer, lost ground last year when he was tipped off the policy committee.

Interestingly, and perhaps a pointer to the future, his place was taken by the woman vice-president, Sue Wood, a youngish, intelligent and innovative woman not at all in the blue-rinse mould of past token National women — though not, or not yet, a hardened political professional.

So just finding a new president would be traumatic enough in a party that prefers smooth transitions of power.

But at least it seems likely that last year's trauma of uncertainty over whether Chapman was going to stay will not be repeated. Chapman is under some pressure to make up his mind soon, announce his decision and stick to it.

There is pressure, too, on the Prime Minister to make some decisions about people and places in the Cabinet. The pressure is coming both from the party organisation (which a Chapman departure would lessen) and within the parliamentary party.

The Prime Minister has been publicly resisting this pressure.

In an interview published just after Christmas, he said:

"At this moment I have no thoughts of any changes in the Cabinet — no thoughts at all."

No thoughts at all? Well, hardly any.

"But," he went on, "if I find that something is happening that requires change, then okay, we will have the change," he said.

And: "That kind of thing could be notification that someone is going to retire — and that might not necessarily lead to a change — notification of a health problem or, as was the case not too long ago, I felt that a minister needed a bit of additional assistance."

Since there are some health problems — Lance Adams-Schneider, for one, has been a bit shaky — and there are some impending retirements — Allan Highet being the most notable example — the Prime Minister has given himself scope for change.

Nevertheless, there is logic in the Prime Minister's demurral. Consider these factors:

- He took something of a battering from the younger brigade last year. Though he is now talking the language of the development decade — indeed, wove his Orewa speech last week around that theme — he may need the psychological support of the older brigade a bit longer before he feels he can handle a Cabinet composed more fully of the new men.
- Sackings are not common or easy in New Zealand politics. In the 1960s Keith Holyoake used to be able to turn over Cabinet personnel by letting some of the deadwood retire at the end of each three-year parliamentary term. The present incumbent is cautious and reciprocates loyalty — and is likely to find painful decisions harder. The small size of our parliamentary parties allows no anonymity to those demoted.
- The Labour "reshuffle" of its shadow lineup did not go very far, so the unshuffled National Cabinet does not look unduly, if at all, disadvantaged beside its opposites.
- A major reshuffle early this year would preclude bringing in any of the outstanding but inexperienced class of 1978 and would further delay their entry because less impressive 1975ers brought in now would not subsequently be easy to shift. (But think how to perverse mind might see that).

Delaying the changes would also give last-term ministers the opportunity to announce their departures in their own time and offer to step down graciously.

Nevertheless, the Prime Minister is under pressure to do something soon.

One option open to him to reduce the pressure would be to demote a minister or two now (on grounds of health or impending retirement) and bring in energy whizzkid Barry Brill and one or two other second-term MPs — Tony Friedlander, for example.

Or he could cause minimum disruption by simply bringing in Brill — making the numbers up to 20 — and shuffling portfolios round a bit.

But doing nothing, or very little, will not remove the pressure which would then be likely to be transferred to electorate level. Already, I hear, there have been rumblings in Selwyn (Colin McLachlan's electorate) and some discontent in Taranaki (David Thomson's) and Waitotara (Venn Young's) where Social Credit is a force.

This year could be good pickings for National hopefuls, with safe Remuera (Highet), East Coast Bays (Frank Gill), Waikato (Adams-Schneider) and marginal Miramar (where moves are afoot to line up daughter Rosemary to succeed Bill Young) all in the melting pot.

But more important than all of these, and crucial to the timing and quality of the reshuffle, is the future of the member for supersafe Wallace, Deputy Prime Minister Brian Talboys.

Though Talboys has been publicly non-committal about his future, party insiders are confident he will leave politics in 1981.

Talboys' decision will match that of Chapman in importance for the party.

Since it is impractical to go into an election with a lame-duck deputy, a decision to go would precipitate a deputy leadership election. To give the new team time to shake down that election would best be held before the end of this year.

Present indications are that the contest would be between Labour Minister Jim Bolger and Housing Minister Derek Quigley, one-time rising star Hugh Templeton having lost a bit of his shine (Duncan MacIntyre still rates a mention, too).

By the end of last year opinion seemed to be jelling in favour of Quigley, who may be short on style (Bolger's strong point), and experience (usually mandatory in the National Party), but is long on stability, courage and commitment to the basics.

Quigley as Deputy Prime Minister! It would be more breathtaking than David Lange's rise.

In its wake would come willy-nilly a cascade of Cabinet changes, unless the Prime Minister had already performed major surgery off his own bat.

Whether he had or not, the power of the fast-trackers and private enterprisers would be decisively strengthened.

The Prime Minister seemed at last to have regained some of the initiative towards the end of last year (and with it an unfamiliar bunch of new friends, manufacturers, for example, looking to him for moderation of the new brigade). But he may have some rougher knocks to survive this year.

This being the season for daydreaming, how about this little scenario: a Chapman-Quigley alliance (ideologically speaking) to rally the not-so-faithful at the frontier with Social Credit and the Prime Minister socking it to the Archie Bunkers over at the National-Labour boundary fence.

For personality politics, it will be National's year. You're first on, George, but you're not alone.

Science and technology

Pneumatics: the "Cinderalla of engineering"

by Warren Berryman

"ELECTRONIC mania" and ignorance of alternative automation systems is costing New Zealand industry millions of dollars. And millions could be saved if engineers had a practical knowledge of cheap pneumatic controls and prime movers.

Scotch Paterson, consultant on compressed air, was so incensed at this waste of money through ignorance that he wrote a book to fill the gap in engineer's formal training.

Published by McGraw Hill NZ Ltd, in December Paterson's *Practical Pneumatics* is written for the practical engineer who wants a book in his left hand and o spanner in his right.

"There is a great gap in the training of our engineers. Ninety per cent of them are turned out of university lacking an interdiscipinary approach to automation systems," he says. "Sometimes the engineer has only a narrow training in one sort of system. In other cases the professional engineer is over-ridden by ao accountant when it comes to buying equipment. This is costing us an untold amount of money."

Six out of 10 New Zealand factories are not using pneumatics, or not using pneumatics properly, Paterson orgues.

"Electronics wears a glossy and seductive public face. Vested commercial interests have grossly exaggerated electronic's usefulness, to the extent of suggesting that its infalllble and reliable under all working conditions."

Paterson challenges electronics' "misconceived wizard image" and has a shot at fellow engineers who get so carried away with the means thet lose sight of the ends.

Pneumatics has been the cinderella of engineering, Paterson insists.

Pneumatic controls are often cheaper, he points out. They are also simpler, more robust, and stand up to dusty and damp conditions that worry electronic controls.

Paterson hopes to acqaint industry with the pneumatic option, its strong points and limitations, so that through an interdisciplinary approach. the cheapest and best system can be devised.

Drawing on 29 years of experience in the field, Paterson links the theoretical with the practical in terms that the mechanically minded layman should readily understand.

The reader will find physical laws relating to pressure outlined, and temperature relationships of gasses simply explained.

On the practical side, air-activated devices are shown in detailed drawings combined with a text detailing their uses, limitations, and means of rectification.

No pure theoriticinn, Paterson has achieved some remarkable savings for New Zealand industry through the use of pneumatics.

Some 15 years ago Tasman Pulp and Paper was looking for a system to recycle its chemicals. Engineers from Bowaters wanted to use an electronic automation system, but the local Tasman management thought there might be a cheaper alternative. Paterson was called in and given less than 24 hours to come up with a system that could be presented to a board meeting.

Paterson's pneumatic system, costing one-fifth of the Bowater's system, was adopted and has been in operation since.

Bowaters took Paterson's concept to use in a new pulp and paper mill in Canada.

Another New Zealand establishment installed a $20,000 microprocessor to do a job that could have been done by $40 worth of pneumatic equipment.

In 1959, Paterson designed a pneumatically controlled butter packer that has been exported all over the developed world.

A major international engineering company had invested $2 million in the development of an electronically controlled butter packer and gave up, Paterson said.

He is now putting the finishing touches on a more advanced second book on pneumatics.

The publishers, McGraw Hill NZ Ltd, hope to export Paterson's books as "exported technology", rather than just the export of a book. Foreign Affairs and the Department of Trade and Industry is being consulted.

Title: Practical Pneumatics
By E.B. (Scotch) Paterson,
143 pages
Price $18.95

Customs flow streamlined

INCOMING international travellers irked at the long time taken to get through airport formalities should try arriving at Christchurch.

Customs procedures are being streamlined for the next three or four months on a trial basis to clear passengers faster.

The European non-stop "green channel" is not being introduced but selection for degrees of inspection is being reorganised to include a fast lane of how to get there. Details are being kept secret to stop the "undesirables" using the new system to maximum advantage.

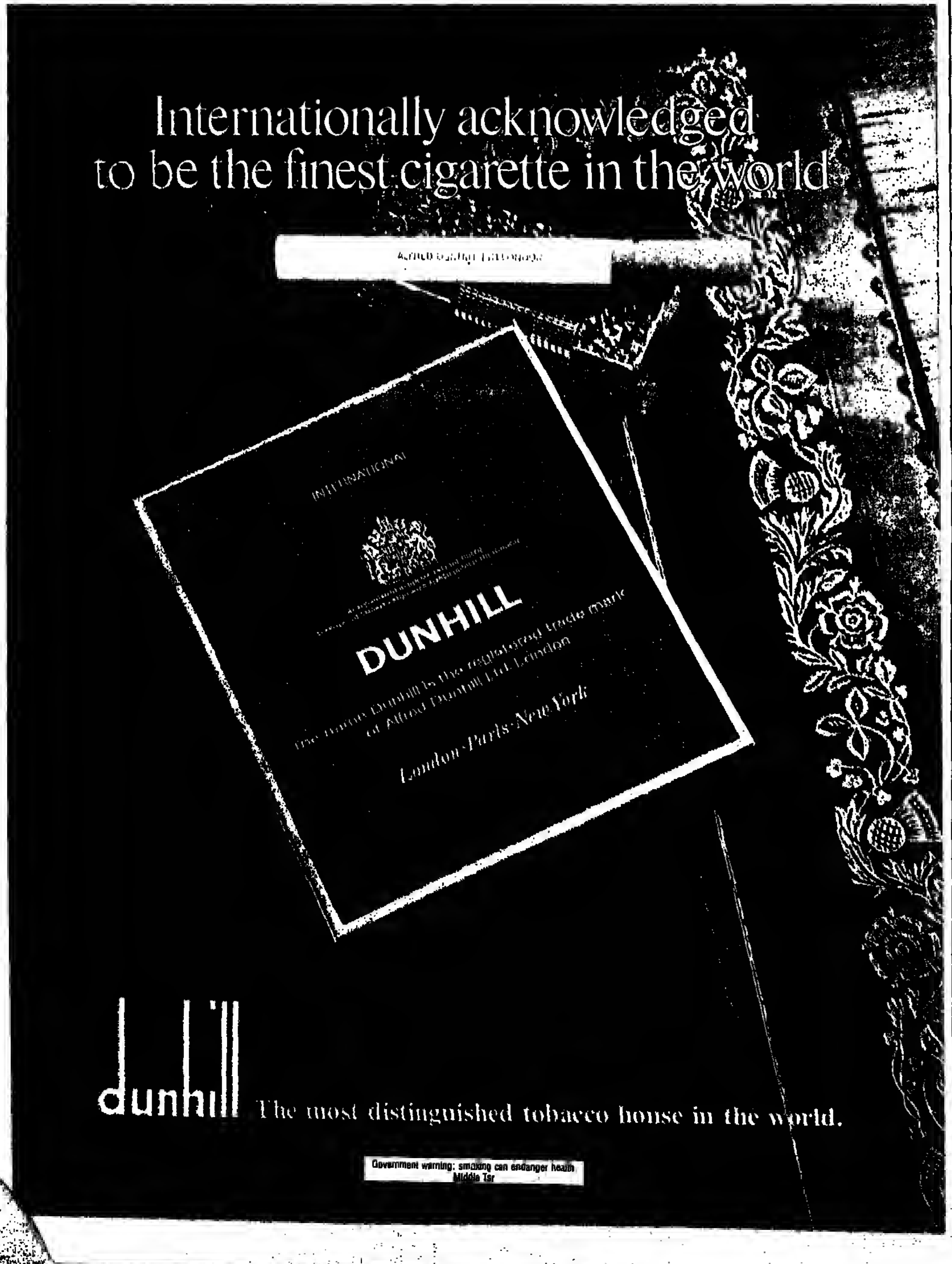
The ordinary traveller is already getting through Customs quicker and to help speed up the process officers will accept some plastic money to bring those duty free bargains closer to the high New Zealand prices.

Visa and Bankcard have signed agreements with the Customs Department. American Express and Diners Club are still haggling over commission rates.

Cash registers are now installed to issue automatic receipts for those who still believe in using the real thing.

Customs Officers are aiming to cut times by at least 10 per cent — on occasions the target has already been exceeded — while still ensuring effective enforcement.

Additional relief for the overseas traveller may be in sight. Customs Minister Hugh Templeton is studying proposals to increase duty-free allowance.



Profile

"Witch's brew" that sells — and the woman who concocted it

by Warren Berryman

EXPENSIVE unusual and distinctly New Zealand, Ti-Toki liqueur entered the market late last year.

Initially the liquor Industry treated the brown and jade coloured stoneware tiki crocks and their contents with scepticism, maintaining the $25 to $27 price tag was too high even for the top end of the local market.

Now, after the first batch of 10,000 crocks has been sold, merchants are queueing up.

Export markets, too, are opening up for the liqueur which is flavoured with a secret blend of manuka honey and crushed leaves from our native bush.

Behind Ti-Toki is Diana Balich, managing director of Auckland's Balic Estate Wines.

Balich came up with the idea, formulated the recipe made the liqueur and developed the marketing strategy.

"I am trying to prove I can do something totally on my own. One gets too comfortable in a family business. I want to feel the adrenalin flowing — to feel exposed — without the apron strings of the family. Its been a worthwhile exercise", she said.

Balich has been involved in the family winery since she was a child. She left university to take over the business when her parents died 14 years ago.

And how is she treated by her peers in the male dominated liquour business? "With benevolent respect", she said.

Ti-Toki liqueur owes its origins to Balich's "major vice," horseracing. She bought 90 acres in the Waitakeres three years ago. The land was to be cleared, first to provide pasture for her brood mares and later, when the soil was right, to plant grapes.

"I like to see how my money is being spent so I went for a ride on the bulldozer. The smell of the crushed bush set my imagination going."

To capture that smell and bottle it as a liqueur, Balich studied books on native plants. After two years she came up with the recipe for Ti-Toki.

Ti-Toki has a grain spirit base to give it a 78 proof kick. The distinctive flavour comes from six ingredients including manuka honey, crushed leaves, and bits and pieces from native trees such as manuka, kawa-kawa, and ti-toki

Balich said she often hears it described as her "witch's brew". But it sells.

Launched in October, the first bottle of Ti-Toki was presented to Prime Minister Rob Muldoon. Soon after, the first order was placed and Ti-Toki was served at the opening of the New Zealand Embassy in Washington DC.

An order from Air New Zealand followed. Duty-free shops, free of local sales tax, began to sell the distinctive bottles

Balich said she now has an order from Los Angeles for several container loads of 900 cases each. All that stands in the way of filling the order are some niggly bureaucratic requirements from American Federal liquor authorities, such as changing the wording on the small cards which hang from the crock necks.

Balich said she wanted to develop the American market first, then move on to Germany, Austria, and Japan where interest has been shown in the liqueur.

Balich said she hoped to produce 10,000 crocks of Ti-Toki a month — 10 to 15 per cent of this for the local market and the rest for export.

Retail prices in the United States would be in the US$27 to $28 range, she said.

Ti-Toki is sold as much for the bottle as for the contents. Tying in Maori folklore with the ingredients from the native bush, the hand-glazed crocks were fashioned in the shape of tikis.

Balich points out that when emptied the crocks serve as attractive book ends or lamp stands, or can be kept as a collector's item.

The consumer in New Zealand pays about one-third for the crock, one-third for the contents, and the remaining third in tax when he buys a bottle of Ti-Toki.

"I don't package the crocks", Balich said. "I think it's part of the magic of selling to let the consumer pick up and feel the crocks."

The crocks are made by Orzel Industries of Runciman, with a guaranteed lead-free internal glaze.

Aspects of the crock design will be changed each year and each crock will bear its own unique number and date stamp, Balich said.

For the local market, Balich said she was thinking of offering refills in plain glass bottles so the purchaser could use their original bottle as a decanter.

Balich said she was not aiming at high-volume sales. Both here and overseas the liqueur is to be slotted into the top end of the market.

"It's about time New Zealand had a drink with an image — something we can be proud of", she said. "I think this product is unique. I don't want to sell in bulk."

DIANA BALICH . . . cutting the apron strings.

Adman turns poet

INSIDE every advertising copywriter are thousands of words trying to burst out nnd be arrayed in print.

Scribendi cocoethes, as the ancients called it, or "scribbler's itch", is an incurable disease, so it is no surprise that former copywriter and advertising agency principal Len du Chateau, long retired from a eopy desk but actively farming in Manawatu, has published a volume of poetry.

This slim collection of poems, titled *Let the Falcon Fly*, is printed by Pegasus Press, Christchurch.

Its contents closely reflect the nuthor himself, displaying a keen love of nature and a countrymnn's power of observation, recording swift impressions with the recall of a eamero lens — of the black oystercatcher thnt "strolls the tide-edge like good, blnck-gowned priest", of the "sun-winged and scarlet-masked" goldfinch, of the "white-wine water, bubble-laced beneath the falls".

There are poems of sentiment and nostalgia and some with wry philosophic comment. There are others which disclose the impish humour of the man, such as the couplet: "I really do not want to squeal, but my wife was driving with me at the wheel."

My favourite is the fittingly rumbustious piece entitled "October Nor'wester" — a "great drunken sailor of a wind" which is invoked to "Slap the fat bottoms of Persil wash-day wives, lick/the hrown grassy cloth of hills . . . kick the iron high/unpeg sheets, lift skirts, rnise hats, slom doors nnd when/at six you're thrown out in Manners Street, flip the man's tie."

Unlike much modern verse that poses as poetry, but like good advertising copy, the work is graphic, lucid, comprehensible. For all sorts of reasons, older copywriters (and admen generally) will wnnt to own their own copies. Young copywriters in search of word magic, will do well to reod it. — Grev. Wiggs

Agency earns US award

McDONALDS International not only hands out fast foods faster than any other fast food operator in the world. It nlso hands out awards to its top advertising agencies.

Because it operates in 30 countries, and in the United Stotes alone employs 75 agencies, the owards are coveted by competing agencies.

David Danurand, a senior McDonnlds marketing executive from Chicago, was in Auckland recently and presented the "Ed Schmitt International Local Store Marketing Runner-Up Award" to Inglis Wright account manager Bill Buchanan. It took the form of a specially struck plnque, plus a cheque for $500.

With the award went Dandurand's commendation that the series of New Zealand promotions was an outstanding example of a totally professional contribution to the international marketing programme.

Migrants need recognition

EACH year the Clemenger Network of ndvertising ngencies (represented in New Zealand hy Colenso) puhlishes a resenrch project in the interests of advertising nnd marketing people.

Previous projects have dealt with such subjects as inflation ond corporate advertising and this yenr's study set out to produce a picture of the migrant woman and the prohlems she encounters in Australio.

Considering that 24 percent of Sydney's total population and 30 per cent of Melbourne's is of non-Anglo Saxon origin, it can be seen that there is a very real need for a review of the prohlems facing these people.

"To a very large degree, it seems to us, the migronts are underestimated in terms of sheer numbers and totally misunderstood by many marketers who claim to be customer-oriented," Clemengers say.

Does this apply to the New Zealand situation? We certainly do not have the same proportionate problem as regards non-English-speaking ethnic groups. There are relatively few in this group.

But a prominent and well recognised grouping is that of the Pacific islanders who number about 60,000, of whom some 49,000 were born in their homelands. English is not a first language for the island-born and in many cases their command of it will never be total.

Of that 60,000 we understand that 40,000 live in the greater Auckland area and together with our Maori people earn for that city the title of the Polynesian capital of the world.

Rndio Pacific is the first medium we nre aware of which is attempting to provide access to that market of Pacific islanders — a market equal to the population of Whangarei or Wanganui.

It provides a three-hour evening programme, five nights a week, called Pacific People. In turn, each night's programme is addressed to our Maori people, Tongans, Samoans, Cook Islanders and Niue Islanders.

We believe this makes fine marketing sense but its worth in a cultural sense goes even further. We quote from *The Migrant Woman.*

"From the fifties and into the sixties most Australians believed that non-English spenking migrants would soon assimilate into the Australian community. Most of us believed that the newcomers could, would, and should assimilate. Eventually some Australians seriously questioned these assumptions.

"Gradually a new consciousness emerged in the community. We began to recognise that Australia was becoming a multi-cultural society. Indeed, we even reached the stage of acknowledging that these migrant cultures could enrich the Australian community."

Are we in New Zealand ready to reach the same conclusion?

It's CLIO time again

ENTRIES for the 1980 CLIO Awards will now be well on their way to the CLIO office in New York. The deadline for the arrival of entries is February 1.

All advertising introduced for the first time during 1979 and through to January 31, 1980, is eligible for the competitions, but this restriction does not apply to packaging design or TV/Cinema classic entries.

Judges meet during February, March and April in New York, Los Angeles and major advertising centres throughout the world. In 1979 more than 1000 judges participated.

Criteria for appraisal and judging involve: Is this an effective piece of sales communication? Does it register impact and motivate the viewer, listener or reader? Is it believable, tasteful? Does it employ imaginative techniques that support the sales message?

The judges' initial task is to winnow down the number of candidates in each category by marking them against a scale of values. Entries selected as finalists are then judged against each other.

American and international winners are announced and awarded the coveted CLIO statue during Festival Week in New York City and Los Angeles from June 9 to 13. Complete information about activities is mailed to all entrants in April.

The week consists of a series of award luncheons, a gala evening and daily displays and screenings of all finalists in television and cinema, print, packaging design and speciality advertising.

Winners in each product and technique category receive a CLIO statue engraved with the name of the award, the advertiser, agency and production company. Finalists and winners receive a certificate of recognition which carries all individual credits as furnished by the entrant.

The New Zealand representative for CLIO is South Pacific Television.

Wine: fashionable opiate of the medics

by Belinda Gillespie

HEART disease, the scourge of the middle-aged, sedentary, professional class male is said to be the favourite disease of doctors, who are among its most likely victims.

Health funds and medical odvice are devoted in disproportionate amounts to coronary disease, while other forms of ill-health of less direct interest to the medical profession are left in a stote of relative neglect.

What goes for disease goes for liquor as well, it seems, because doctors have become advocates for wine, the drink thnt accords hest with their aspirations and life-styles.

Christchurch doctors Dnn Beaven and Morgan Fahey promote wine because they say it has health henefits and is less likely to cause road accidents than heer. They might stop short of advocating it as a substitute for tea and coffee — the function which George Mazuran, chairman of the Wine Institute, claims for it.

But they might agree with his suggestion that the alcohol in wine is a mere afterthought — that people oppreciate wine for its aesthetic and socialising qualities, not for its uncouth ability to make them drunk.

Up in the Olympian air inhahited hy wine huffs, the intoxicating effects of wine are, if anything, a source of embarrassment.

The nuances of soil, climate, and season which nourished the grape are among the things that they relish with each glass, enhanced by the personal touch and style of the winemaker.

On the health side, there is a long line of doctors from Hippocrates down who have advocated wine.

Don Beaven says wine is valuable for treating anxiety, sadness and sleeplessness — nnd suggests that the country could save itself some of its $7¼ million overseas expenditure on sedatives nnd tranquillisers if the population took to wine (sensibly and in moderation, of course) instead of popping pills.

Most of the health benefits claimed for wine are hased on the results of studies which need further substantiation. Many are traditional, part of the history and diversity of the only alcoholic drink that has the distinction of being served in church.

In wine-drinking countries, wine is an important source of calories — oround 100 per glass of New Zealand Riesling or Cabernet — more if sweet. Other heneficial effects such as stimulation of the appetite, and enhancing the enjoyment of food, are largely subjective hut generally agreed upon by wine-lovers.

To the nutritionist, wine differs little from other alcoholic drinks. Like beer, wine contributes a few other nutrients besides energy, and thesa ore likely to be trotted out by enthusiasts as evidence that a glass of wine is at least as good as an apple a day.

But the vitamins in grapes are depleted in the wine-making process, and minerals, with the exception of iron, are negligible. Although not present in large amounts, the iron in wine is in a form which is well-absorbed — two glasses of red wine can provide about one-fifth the daily iron needs of an adult male.

Cheap wines are reported to be particularly high in iron and "winos" in ... drink four litres ... daily commonly suffer from iron overload or siderosis, where excess iron is deposited in the liver and other organs.

Another fascinating feature of wine is thot it is high in potassium, hut low in sodium, whereas processed foods generally hove the opposite ratio. Foods with too much salt (sodium chloride) and too little potassium hove been blamed as a cause of the increase in hypertension in western society.

For people with high blood pressure, or other medical reasons for cutting down their intake of salty foods, wine could be a bright spot in a dietary regime generally found irksome by those for whom it is prescribed.

To the healthy adult, however, two or three glasses of wine daily make no important contribution to the diet, and are significant only if weight is a problem. As an appetite stimulant, os well as for the calories it contributes, wine is a hazard for overweight people.

The Alcoholic Liquor Advisory Council has made it well-known to the New Zealand public that those who drink should eat at the same time. A belly full of food buffers and slows down the absorption of alcohol.

The blood alcohol level of a drinker who has eaten never rises as high as that of one who has not, though they have drunk equal amounts.

But apart from the question of food, different drinks are absorbed at different rates. Gin, vodka and whisky produce the highest and sharpest peaks in blood alcohol, followed by those for fortified wines. Table wines, and finally beer, produce lower ond flatter curves.

The mystique of wine — whether it has special qoalities (apart from mere alcohol) which ean be scientifically measured was the subject of a recent American study.

Wine and alcohol are not synonymous, the experts concluded. The "congeners" — secondary products formed in alcohol during fermentation — were thought to be responsible for the improved absorption of the minerals calcium, phosphorus, magnesium, zinc and iron, which were seen in the subjects tested when they drank wine (or dealcoholized wine) rather than pure alcohol or water. Another explanation put forward wos that the notural acidity of wine, which is close to that of gastric juice, might enhance absorption.

Nevertheless in advocating wine for health, doctors are on shaky ground. The trouble is that they are advocating a way of life, not a drink.

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Insurance

International danger signals on underwriting

by John Sloan

CLIENTS who benefit from reduced premiums disregard insurers' underwriting losses because "they make a profit on their investments". That attitude, which crystalises the insurer's dilemma, has been noted by Australian Federal Insurance Commissioner R Kirkpatrick.

"Because of the almost complete reliance on returns from investment, any decline in investment yields must have similar deleterious effects, he said. "There is no divine law which says investment yields will always remain high".

Kirkpatrick was not happy at the "apparent acceptance of permanent underwriting deficits as a new principle of insurance".

His views echoed those expressed in an article appearing in *Best's Insurance News Digest* in 1976:

"The element that is essential to the success of an insurance operation is the achievement of an underwriting profit, said the digest. "Underwriting is the foundation of the source of money for investments.

"If profits cannot consistently be produced from underwriting, then ultimately the company will be leveraged into an impossible position. A management that accepts as satisfactory a combined ratio of 102 invites disaster.

"Planning that concedes an underwriting loss runs contrary to the very purpose of engaging in the insurance business and contributes to the erosion of the basic undertaking. Economists presently seem agreed that the long-term outlook is for inflation at a rate two to three times that which prevailed up to the early 1970's, and the insurance industry is now faced with the need to support two types of growth: a growth that keeps pace with inflation, and real growth in new business that keeps pace with an expanding economy.

"The remarkable underwriting profits recorded in 1971 and 1972 were destroyed by the failure of company managements to recognise the accelerating change in social and judicial attitudes with which were combined the onset of substantially higher rates of inflation than had existed for nearly two decades.

"Not only were these two danger signals overlooked, the industry simultaneously indulged itself in competition for premium volume to such a degree that rates were pushed to ruinously low levels. The outcome of this bad timing in the race for discounted premiums when more or less money was needed to cover an expanding risk potential, should have created in the minds of carrier managements a permanent impression of the folly of ignoring the necessity for an underwriting profit. Many people had lifelong attitudes imbued in them as a consequence of the Great Depression.

Bests said: "The operation of the insurance marketplace was such that there was a tendency to follow the loser, and many companies were willing to write business at known inadequate rates rather than pass and pick it up at the right price on the rebound

"No company that is cutting rates can take all of the market, or even enough of it to set waves in motion if companies which know the difference between a realistic rate and a hopeful one decide – in their own interest and that of their policy holders – to stay with rate adequacy, *Bests* said. "If enough companies get caught up in the hunger for premium volume and will sacrifice sound underwriting to get it, everyone pays eventually through a constricted market."

At a meeting of the Irish Institute of Marine Underwriters, chairman R Richardson said he could forsee "with some regret" a possible change in the conduct of the members' business.

"Will we be in the hands of our investment managers? In other words, will business be underwritten on a minimal profit based on the premise that our investment income will provide the appropriate reserves?" he asked.

"If so, we are surely on the way to financial disaster. When one considers the cost of insurance compared with transport charges our return is minimal for the service and claims expertise which we as an industry provide.

"We are all involved and it may well be that two to three years of a loss situation coupled with major casualties will make us realise our mistakes. If we pretend that major catastrophies cannot happen we are surely deluding ourselves".

A recent article by W F Kinder, of McKinsey & Company, concentrated on the recent performance of the leading property and liability insurers in the United States.

Kinder concluded: "Is their success due to good management or good luck? Our thesis is that the top companies clearly have at hand what even the poor performers know to be the ingredients of consistent combined ratio leadership: (1) a high-caliber management team, both at headquarters and in the field: (2) an ability to anticipate (and, more important, to act on) next year's problems and opportunities now: (3) tight control over the elements of pricing and service at the interface between underwriter and producer; and (4) effective co-ordination of marketing, underwriting, and investment strategies.

"Companies that sought to match the performance of the lenders would have to acquire these same ingredients, Kinder said.

If they had demanding performance standards and were equipped to find and train managers who could meet those standards, they would get started on the right foot.

Beyond that, they would need support from planning and control systems that looked ahead, and did not merely recycle the past.

As for companies that ignored these basic ingredients for success, "they are probably destined to remain the laggards of the eighties – constantly buffeted by external forces and unable to show an underwriting profit even in the most favourable years of the cycle". Kinder argued.

Commenting on the Canadian insurance scene, Gordon S Finlay remarked: "Informed observers here are convinced the industry is heading for a sea of red ink, as the intense price competition now raging throughout the business eats away at required premium income levels, and the number and cost of claims begin to climb from the low levels of recent years".

In spite of this experience, the Ontario Government has released a report on the insurance industry, which rejected direct Government intervention in rate making in favour of a beefed-up monitoring system that would require regular reporting on company profitability, rates of return and proof of independent premium pricing.

The report favoured open competitive rate regulation on the grounds that "the mechanisms of a competitive market place are likely to provide the best safe guards for delivery of the insurers product at a price that bears responsible proportionality to cost and normal rates of return"

Wine

Watch needed over a product called 'wine'

by Frank Thorpy

THE row over the marketing of Brother Dominic, and university research which pinpoints the amount of water and cane sugar added in New Zealand wines highlighted the need for further tightening and policing Food and Drug Regulations.

Ormond, owned by Montana, is marketing an alcoholic beverage labelled as Medium Dry White 8.5 per cent by volume of alcohol. It is packaged in gaily coloured wine casks costing $9.95 each.

Because of its price and its ready sale, it has aroused the ire of some competitors who say it is an illegal concoction.

The Wine Resellers Association has advised members to remove it from their shelves because there is doubt whether a non-wine may be sold under the terms of the wine resellers' licence.

The irony is that if Montana had added the word "wine" to the Brother Dominic label, there might have been no fuss. The liquid was thought to be a compound of water, essence, alcohol and sugar with little or perhaps no grape juice at all.

Though barred by wine clauses under the Food and Drug Regulations, many such concoctions have or are being sold as wine.

Offenders seem to be able to market their wares with impunity.

By not calling their product "wine", the makers of Brother Dominic seemingly did not offend under the Food and Drug Regulations, though some think a point could have been made under Clause 8, governing misleading statements.

The Health Department analysed the beverage and Montana agreed to stop using sulphur dioxide as a preservative and to enlarge the words "alcoholic beverage" on the cask so the product would not be confused with wine.

The Health department has decided not to prosecute Montana.

Wine is a complex, aqueous solution consisting of about 97 per cent by volume of ethyl alcohol and water. The remaining 3 per cent is made up of minute quantities of other substances, any of which are complex in nature and difficult to analyse.

Connoiseurs have always asserted there is a difference between natural grape water and added water, and a difference between natural grape sugar and added cane sugar. The difficulty has been to determine and analyse the difference scientifically as distinct from a mere tasting.

Scientists at Waikato University have come up with what they consider the answer.

In a preamble to a provisional patent application by O J Dunbar, M Phillips, Dr C H Hendy and Dr A T Wilson, they state: "We have developed, over the past two years, two techniques which enable us to determine the percentage of cane sugar and the percentage of water which has been used in the manufacture of wines, and other fruit juice products.

"Although the addition of cane sugar to grape juice in the wine-making process is legal, and is in fact common practice in New Zealand, the addition of water to the grape juice is illegal.

"Our preliminary survey of a random sample of commercial wines has shown that the addition of substantial quantities of water is widespread, and in some cases more than 95 per cent of the water and more than 95 per cent of the sugar have come from tap water and cane sugar respectively.

"We believe that the publication of these two techniques, and the results of our survey will have a dramatic effect on the wine industry in New Zealand, and other wine producing countries.

"In New Zealand, it would appear several tens of millions of dollars per year (calculated at retail level) have been made from illegal addition of water to grape juice in wine making. For this reason, we feel it necessary to protect these two potentially very useful analytical techniques with appropriate patents."

The process consists of measuring the heavy isotopes of hydrogen and oxygen as found in grape water as opposed to meteoric or natural water.

Grape water contains more heavy isotopes and through a complex process, scientists are able to measure the isotopes in a wine. If the isotopes are the same as in grape water or in wine known not to be adulterated (such as experimental wines from Te Kauwhata), there is no added water.

Lamentably, few wines have been found to be without added water, which sometimes adds up to as much as 90 per cent.

The better class table wines labelled as varietal wines and costing over $4 a bottle have been the least offenders.

The results of further experiments will be released in a few months.

The amount of cane or beet sugar added may be determined by a similar process, except that carbon isotopes are measured.

The machine used is a spectrometer, valued at $90,000. There are only two in the country, one at Waikato University, the other at the DSIR in Lower Hutt.

Experiments are costly ($30 a sample). But for the good name and future of the wine industry, and in the interests of consumers, the wine regulations should be tightened and effectively policed by the Health Department.

Transport

Hovercraft are flying into a bright future

by Robert Hounsome

JUST 20 years ago a "flying saucer" – as the somewhat weird-looking hovercraft prototype was dubbed – crossed the English Channel. It was a historic journey which proved the feasibility of this new form of transport.

Today the huge descendants of that first "flying saucer" negotiate the English Channel and other waterways of the world with a regularity which has become an accepted part of the local scene.

It was as long ago as 1865 that a British naval architect, J Scott Russell, conceived the idea of using a cushion of air to reduce friction between a ship's hull and the water and help propulsion.

But it was not until 1955 that another Englishman, Sir Christopher Cockerell, turned theory into practice and demonstrated the point with a model in a water tank.

Within four years the British Hovercraft Corporation (BHC) had built the first man-carrying machine, the SRN1. It weighed just four tonnes.

Today seven hovercraft regularly ferry passengers and vehicles across the Straits of Dover.

The largest in the world is the SRN 1's successor BHC's Super 4, "The Princess Anne." She is 56 m long with a beam of 28 m, weights 305 tonnes and can carry 416 passengers and 60 cars at speeds up to 65 knots. And she is licensed to operate in channel winds up to gale force 8 - 9 with significant wave height of 4 m.

Two Types

From the earliest days hovercraft developed along two lines. One, the amphibious hovercraft – exemplified by BHC's craft – has no mechanical contact with the ground or water surface. The air cushion is contained within a flexible skirt encircling the craft which uses aircraft systems for propulsion and control.

The second type, known as the SES (surface effect ship) was pioneered by another major British company in the industry, Hovermarine International. It is also air supported, but it has rigid sidewalls with flexible aprons only in the bows and stern. It also has underwater propellers instead of air screws.

Both types have their particular advantages, and both are widely used throughout the world.

The first regular hovercraft service was inaugurated in 1968 by British Rail's Seaspeed using a BHC-built SRN4 Mk I, "The Princess Margaret," which had a carrying capacity of 254 passengers and 30 cars.

In 1978 – only 10 years later – six craft were regularly operating across the channel, making 11,400 crossings among them that year. They carried 1,800,000 passengers and 309,000 cars – a quarter of the total traffic transported on the short sea cross channel routes.

With "The Princess Anne" bringing the number of craft o seven, and with each one making the 35-minute journey up to 14 times a day in the summer, the cross-channel operation last year offered almost 6 million passenger seats and 750,000 car spaces.

"The Princess Anne" and its sister craft, "The Princess Margaret" – now also redesigned and stretched to Super 4 specifications – together with "The Ingenieur Jean Bertin," a Sedam N500 built for French National Railways, all operate under the Seaspeed flag between Dover, Calais and Boulogne.

Another company, Hoverlloyd, which was formed in 1969, operates four 200 tonne SRN 4 Mark 2s – another BHC model – between Ramsgate and Calais.

Each can carry 280 passengers and 37 cars at speeds up to 65 knots and makes the journey in about 40 minutes.

Last year the Hoverlloyd fleet carried 1,260,000 passengers and 233,000 cars, but this is still only a beginning.

The company is now launched on annual expansion programme aimed at building up the fleet to 10 craft by the late 1980s.

The practical proof of the hovercraft's efficiency supplied by the English Channel services has long since convinced other operators around the world. Now nearly 300 craft are in use by some 30 ferry operators.

More than 200 are operating in the Soviet Union, where they are ideal for the extensive river networks.

Apart from Britain, where there are now 16 craft in service – the next largest user is Japan with about 14, followed by Hong Kong with 10.

The hovercraft in Hong Kong are all Hovermarine sidewalls – four 216s and six larger 218s (the latest of which was delivered this year). Three more 218s are on order.

The Hovermarine 218 is 18.29 m long with a 6 m beam and has a top speed of 34 knots. The commuter version has 92 seats and there is an 86 seat luxury version.

Many other countries – among them New Zealand – have one or two hovercraft ferries, with plans for expanding into further services.

Already BHC is forecasting that from 1981, with enhanced efficiency and technology and larger craft becoming available, the hovercraft will be able to compete economically with conventional ferries on routes up to 320 km.

New and quieter engines – which BHC believes will reduce fuel consumption by as much as 30 per cent – new skirt geometrics and materials and improvements in hull design are combining to make the hovercraft more cost effective, safer, more comfortable and capable of operating over rougher seas and – in the case of amphibians – over more rugged and uneven terrain.

In addition to its role of passenger and car ferry the hovercraft is also proving its value in a growing range of other commercial and military duties. It already works as cargo carrier, excavator and drilling platform, barge tower, cattle wagon, rice harvester, lifting rig, search and rescue vehicle, ambulance and mobile hospital.

Hovermarine International has recognised this changing emphasis. From its previous concentration on the high speed ferry market it has broadened its interests by introducing the hull platform concept, and adapting special purpose applications to its well proven basic hull and machinery range.

Hovermarine craft are now in use as coastguard and port patrol boats, fireboats and – in a military role – as fast attack boats.

Many experts believe that the hovercraft's unique characteristics, widening capability and increasing cost effectiveness make it ideally suited to the needs of the developing world.

By the 1980s, they claim, hovercraft are likely to be widely employed in Africa, Latin America and South-east Asia, in the Pacific islands and in China.

US chemical giant strikes at Godzone ploughs

by John Draper

GODZONE is Utopia to Monsanto's regional manager Allnn Scherp.

The American chemical giant is rapidly rounding up sales in the conservation tillage field with the timely introduction of a new herbicide.

In two years the product has become one of the top three selling herbicides, yet the market has barely been scratched.

The herbicide will make ploughing obsolete.

Monsanto estimates that 1 per cent of agricultural land — nearly a million hectares — will be turned over to chemical ploughing (as conservation tillage is also known).

The concept is not new. ICI, Monsanto's British competitor, was years ahead of its time in researching and developing the system in the 1960s and bringing it to New Zealand in the early 1970s.

Instead of burying nutrient-rich plant material below the roots of the planted crop with the plough, conservation tillers eliminate weeds with herbicides and allow the beneficial earthworm to work the soil and sow by drilling direct into the otherwise unprepared paddock.

The system saves weeks of lengthy preparation as well as time and fuel.

Monsanto's breakthrough is "Roundup", a herbicide that destroys the most hardy weeds without leaving any residue or harming animals.

Its discovery was by chance in the late 1960s, when industrial-orientated chemicals were screened for other potential uses.

Its introduction into New Zealand in 1977 coincided with a growing inflation rate that was eating into farming profits.

Roundup doesn't claim to kill off inflation as effectively as it might destroy weeds. But its use to promote conservation tillage eases the pressure for costly new tractors, ploughs and cultivators which in pure accounting terms cannot earn enough in their lifetime to justify purchase.

Roundup has enabled Monsanto to achieve a marketing advantage over ICI.

Many weeds, specially in the arable cropping areas of Canterbury, are resistant to ICI's product, Gramoxone, which has been used to develop 4000 hectares, mainly in Southland, without the plough.

And Canterbury's modern pioneer, Pier Phillips (he has already sold his plough), began with Gramoxone.

Now he is using Roundup to control the more resilient weeds which the ICI products fail to kill.

Phillips says Gramoxone still has its uses. He will be using more next season and less Roundup.

But the Monsanto product is surer of success, he argues.

There are drawbacks. Phillips says the cost of Roundup discourages many, although the cost per hectare might not be much different from that of other chemicals.

And timing is important to effectiveness.

The growing awareness of the herbicide's potential brought 200 scientists and technicians to a three-day seminar in Christchurch.

Scherp has been critical of the lack of co-ordination among research centres testing and developing the technique, a fault which the seminar took a first step to overcoming.

Despite ICI's early developments, New Zealand is years behind the British and Australian experiences.

In Australia, Scherp says, there are 26 scientists working on conservation tillage. In New Zealand, which prides itself on being one of the world's leading agricultural nations, there are two.

Scherp describes Roundup as a technology transfer, but one that Monsanto is not and will not be geared to accomplish alone.

To make the transfer, and thereby generate sales, Monsanto has to demonstrate that conservation tillage is based on sound economics.

The normal practice of farm field days and sufficient publicity alone will not ensure success.

"The word alone is the most dangerous thing," Scherp said.

Conservation tillage is a skilled management technique. Timing is crucial, but need not be dictated entirely by the weather.

Phillips at Rangiora is able to prepare paddocks for sowing when normal cultivation equipment would not be able to work the waterlogged ground.

And the timing can make money through higher prices for the crop and better quality.

Scherp says the versat[ile] Roundup is still no[t] covered. It is being us[ed suc]cessfully in situations contemplated by the co[mpany] although its critics clai[m] the product's attributes [have] not always been f[ully] completely in the field.

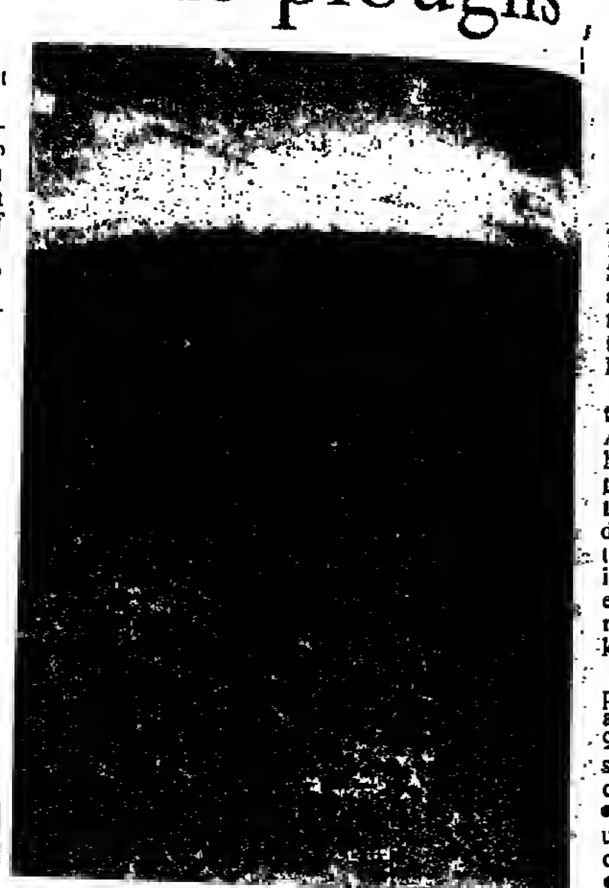
Lucerne trials are y[ielding] slower results than a[nticipat]ed.

Roundup has br[ought] Monsanto into the [mar]ket in its own right.

Before 1976 its pro[ducts] were marketed throug[h an] agent. Now the compan[y has] control of its own mark[eting] operation, although products are distributed [by] Shell Chemicals and are [sold] locally under contract.

The spread of conserv[ation] tillage should benefi[t] chemical manufact[urers.] Roundup controls the w[eeds] but not insects, which s[hould] boost the demand for o[ther] chemicals outside the M[on]santo range.

ICI is now working o[n a] marketing strategy for [the] early 1980s to capitalise o[n the] awareness that Monsa[nto is] creating.



TRADITIONAL cultivation vs conservation tillage.

Australian business

Aust. takeover bill gives a voice to the small shareholder

Melbourne Correspondent

AFTER protracted negotiations between the Federal and State Governments new companies legislation to control takeovers has been introduced into the Australian Federal Parliament.

According to some estimates more than a quarter of Australia's top 100 companies have been involved recently in takeovers. Much of this activity undoubtedly has been due to attempts by companies to maketakeovers under existing legislation, which will end with the enactment of the new Federal Company Takeovers Bill.

The new legislation prohibits the acquisition above 20 per cent and below 90 per cent of a company's shares unless one of three courses is followed:

- A formal takeover bid under the existing takeover code;
- The gradual acquisition of shares at the rate of 3 per cent every six months;
- The unconditional "on-market" alternative.

Those who opt for the unconditional "on-market" alternative will be obliged to make a takeover announcement on the home exchange of the target company, giving an unconditional undertaking to purchase for one month all shares offered, at a specified minimum price.

This minimum price will be the highest price paid by the offerer or his associates in the four months preceding the announcement of the bid.

To protect companies from offers that are not genuine, brokers will be liable directly for bids and will have to stand in the market in substitution for their clients.

The application of this "on-market" alternative, however, will not be permitted where the offerer holds 30 per cent or more of the target company's shares — unless an exception is granted by the National Companies and Securities Commission which will enforce the new takeover code.

Introducing the Companies Take-Overs Bill in Parliament, Federal Business and Consumer Affairs, Fife outlined the benefits for shareholders in the target company.

He said the legislation ensured an equal right for shareholders to take part in takeover offers, since they would now have the guaranteed right to sell at a publicly annouaced price.

The Minister said that the new takeover code aimed to ensure that adequate information was available for shareholders to consider offers for their shares.

In effect, they will now receive substantially the same information as they would in a formal takeover bid.

Recent takeover bids or market raids in Australia have enabled some individual shareholders to sell at higher prices than would otherwise be available.

Nonetheless there have been many cases in recent Australian takeovers where the public shareholders, whose capital has made possible the development of the company, have not received a price that fully reflects future benefits.

All too frequently it has been the corporate raider with ready access to large funds which later derives benefits that should have gone to the public shareholders.

Fife emphasised that the legislation was aimed at halting discrimination against small shareholders.

Where the "on-market" alternative is exercised shareholders in the target company will have the additional benefit of being paid almost immediately on the delivery of the scrip.

The NCSC enforcing the new code, was established under separate Federal legislation in August this year.

In relation to the new takeover code itself fines of $A5,000, or one year's imprisonment can be imposed on those guilty of supplying the commission with false and misleading documents.

But the greatest power exercised by the commission will be that conferred on it by the exemption provisions of the Company Take-Overs Bill, under which the NCSC is empowered to exempt persons from compliance with the Act, after such exemptions have been notified in the *Commonwealth Government Gazetle*.

It is the exercise of this discretionary power in practice which will determine in future whether any proposed Australian take-over will occur or not.

"It's worse than you think, Harry—even the power of prayer is falling"

O'Brien on business

Changes to company and commercial law likely this year

by Peter V. O'Brien

A PARLIAMENTARY Select Committee will hear representations on the Companies Amendment Bill introduced at the end of 1979 (*NBR*, December 17).

The Securities Commission will probably make progress on its recommendations regarding financial advertising after a hearing last year. The same body is preparing an inquiry into the question of nominee shareholdings in public companies.

Some, or all, of these matters should make the legislation list for 1980, although the Securities Commission's recommendations could be dealt with by regulations.

Interested parties have until March 15 to forward submissions on the Companies Amendment Bill. Much of the proposed legislation is "lawyer's law", which will have little effect on the shareholders and investors in ongoing companies.

It should be within the wit of the select committee to add in other provisions to this bill, particularly as attempts to update New Zealand company law are exercises in running flat out to stand still in relation to the law in other jurisdictions.

For example, the rules on insider trading in this country are virtually non-existent, except in cases where fraudulent activities are involved.

Our takeover rules, and disclosure of beneficial interests, have improved, but are still behind those in other countries.

Two Australian States, Queensland and Western Australia, effectively forced the Australian Associated Stock Exchanges to amend their listing requirements after the states enacted their own takeover legislation, rather than wait for national legislation.

The Australian Government's uniform national legislation puts the "threshold" at which a full takeover bid must be made at 20 per cent of control.

Western Australia has enacted the 20 per cent figure, while Queensland dropped the threshold to 12.5 per cent, as an interim measure until the Federal Government passes its amendments.

Compare that with the situation in New Zealand, where control of a company (Haywrights, for example) can pass with more than 50 per cent of the shares being sold at undisclosed prices to a single buyer.

The Companies Amendment Act, 1963 exludes such transactions from our takeover legislation if fewer than six shareholders have the offer made to them.

The Justice Department, assuming it drafts Justice Minister McLay's correspondence, takes a different view of that provision.

When this writer drew an apparent discrepancy to McLay's attention, his reply was that the act is concerned with the offerees, giving them an opportunity to be informed before they accept or reject the offer. In the Haywrights example it was argued that no one could say the offerees needed such help and the position of other shareholders, to whom no offer was made, was not materially altered.

The change in effective control of a company from two or three shareholders to another two or three appeared, it was argued, to leave the other shareholders legally in the same position as they were before.

The object of the present takeover legislation was not to give a minority shareholder a part in choosing who his fellow shareholders should be. It was said that those who invest in companies inevitably take their chance on that.

The annual meeting of Haywrights, held in December disagreed with some of the angriest scenes reported at a company meeting for many years. And there still had been no disclosure by the end of 1979 of the price which Challenge Corporation and Fletcher received for the sale of their shares in Haywrights to H W Smith Ltd.

Part of the problem in these areas of legislative reform is the lack of practical knowledge in the public service on how deals are put together.

This is probably a matter for the Securities Commission. It is hoped so, because the Minister's (and one presumes his department's) attitude is unhelpful.

The Securities Commission will no doubt get around to looking at financial disclosure in company reports in due time. At least that body has people who know about the ways of company directors and executives.

Chairman Colin Patterson, for example, created the Androcles Corporation during his Christmas holidays two years ago.

The slow process of legal reform will continue in 1980. Its slowness will probably again provide various operators with good opportunities for quick profits, before they are brought under control.

In the meantime the small fellow is likely to miss out.

Various brokers, who descend on takeovers, or potential takeovers, whether full or partial, should also be brought back into line.

Their rules limit the organisations that they can approach to a specific list of institutions, unless there is an existing relationship.

Organisation outside the categories on the list were approached by brokers in 1979 with offers to buy shares, and there was no existing relationship. That type of activity could also do with some agency's examination.

Current cost accounting gets a fresh airing

by Peter V O'Brien

THE Richardson Committee report on current cost accounting was required holiday reading in 1977-78.

Two years later no official action has been taken on the committee's report, and present indications are that nothing will be done this year.

Some companies are presenting inflation-adjusted accounts with their annual reports. The Accountants' Society has issued a statement urging all public groups to prepare CCA figures, and shown them how to carry out the exercise.

This activity apparently left the Government unmoved. The 5 per cent trading stock adjustment allowance no longer exists, being described as a short term measure to meet short term circumstances.

The result is that CCA accounts remain a theoretical exercise, while the administration tries to deal with the problem which first gave rise to the concept; inflation.

Attempts to index wage rates to inflation, if successful, will probably increase the level of the CCA debate. That debate quietened in 1979, although some company chairmen were moved to express concern at historical cost accounting when addressing their annual meetings.

The Waipa County Council was the first employing group to agree to wage indexation, but another major union filed such a claim in December.

If the idea became common (although the indefatigable Government now keeps a wary eye on "free bargaining") the issue would be raised again in relation to company incomes.

The vicious circle is then formed. Until inflation is either beaten (if that is possible), or cut drastically, indexation of wages and company accounts (indices are a vital component of the CCA system) seems only to add to inflationary pressure.

Business organisations would receive a happy surprise if the government took action on CCA in 1980.

In view of Finance Minister Rob Muldoon's preoccupation with other economic matters, it would no doubt be a surprise to him, too, if anything was done.

Other accounting questions will arise this year. The Accountants Society received isolated flak on its recommended accounting practices from companies in 1979.

Scott Group chairman (and multi-board member) David Scott hit the society's guideline of disclosing turnover figures. Scott argued that disclosure of his company's turnover would be misleading, because of the complex manufacturing and wholesaling aspects of the business.

The argument had little effect on the society. Scott Group may have a problem, particularly when its figures are compared with other companies, a matter which particularly concerned David Scott.

Analysts and, other people who examine accounts of different companies in an industry, or of groups in different industries, are aware that direct comparisons are impossible, for many reasons, including those which Scott put forward.

A few other companies bucked the society's recommendation on turnover disclosure, but the majority decided to go along with it.

Companies which refused already have a reputation in the marketplace for dreadful reporting, so their shareholders would be little concerned at failure to see turnover for yet another year.

Brierley Investments chairman, Ron Brierley, also took a swipe at the Accountants Society, an organisation with which he has failed to agree on many occasions (that time passes. Some of Brierley's "outrageous" accounting policies of yesteryear are now common practice, and others may be so in future).

The "tags" which auditors place on accounts get the usual star treatment in newspapers, but they have little effect on the shareholders. I have attended many company annual meetings over the years, including cases where the accounts were tagged.

I have never heard a shareholder query the directors about the tag, although it may happen occasionally in other places. This suggests:

• The shareholders are happy with the way the company is run.

• They lack knowledge about the report which the law demands they should receive.

• They don't care.

Given the poor attendance at company meetings (unless a party is to follow, or the company has a reputation for giving presents of its products) the last alternative may be the answer.

Matters change when companies get into trouble. Shareholders then look for blood, blame the auditors, want to know why the law and the Accountants' Society failed to cover the situation, and generally renew interest in their company's affairs.

Questions of accounting for inflation, accounting standards, and auditors' tags on accounts would receive answers if shareholders stopped taking the view that they can do nothing about their companies.

The cost of Bankcard

Melbourne Correspondent

AUSTRALIA'S credit card system "Bankcard" was used to provide $A1,780 million of goods, services, and cash advances last financial year, but the system has yet to recoup the high establishment costs for Australian banks.

The ANZ Banking Group's annual report records a loss of $A[illegible] million on Bankcard in the year to September.

In 1978 it earned a profit of $A800,000.

But the ANZ still has accumulated loss of $[illegible] million on the operation of Bankcard since its inception.

The Commonwealth Bank and the Bank of New South Wales together have lost about $A25 million.

Although the full extent of Bankcard's total loss is not known, estimates have put it as high as $A50 million since it began in October 1974.

Installation costs of electronic equipment were around $A12 million and annual operating costs have amounted to a further $[illegible] million.

Australian Banker's Association director, Ron Cameron, who helped to establish Bankcard, said it is an expensive organisation structure to set up.

Each bank runs its own bankcard, and the paper which comes out of the vouchers is processed in a central computer system by Chargecard Services Ltd, the company providing facilities for the scheme.

Though running its own bankcard system, each bank is obliged to pay its share of running the overall system.

Cameron said these costs were high. There are large staffs maintained in an authorisation centre, a marketing centre, and a security centre running the Bankcard system.

Cameron said it had been expected that operating costs would exceed income for some years, but eventually each bankcard operated by the individual banks would become profitable. This would vary from bank to bank, because each bank has different numbers of card holders and different numbers of businesses on their books, whom they give value for the moment sales vouchers are deposited.

Even when the bankcards become profitable on an annual basis, it would take several years before all the previous losses were accounted for.

Goods movement by air increases

by Peter V O'Brien

AIR transport is rapidly increasing as a transport option for New Zealand imports and exports.

The Department of Statistics recently published figures for the value (but not for volume) of air freighted imports and exports for the year to June 30, 1979.

The fob (free on board) value of New Zealand produce exported (excluding the re-export of imported merchandise) rose 37.5 per cent to $175,277,000, compared with $127,404,000 in the previous June year.

The total value of all exports went up 22.8 per cent in the same period, according to the department's summary of overseas trade.

Airfreighted imports were 29.2 per cent higher than in 1978, while total imports rose only 16.8 per cent in value.

The trend has been apparent for some years, and covers a wide range of goods.

There are several reasons for the growing tendency to ship goods by air. Speed is an obvious one. The development of rapid, long-haul jets offsets the increased "cost" of air freight, although the higher "cost" can be more theoretical than real, depending on the product.

Larger aircraft, combined with speed, allow the airlines to carry more freight, and economies of scale have an effect on the freight rate, compared with the costs some years ago.

A DC10 alongside a DC8 or a 747 alongside a 707 brings to mind the idea of a whale looking after its calf. Greater cargo capacity results in the ability to ship reasonably large quantities faster at a lower cost per item.

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A combination of the Christchurch company, PDL, the Auckland group, Rex Consolidated (both of which have manufacturing plants in Malaysia), and other exporters, was responsible for an export boost to Malaysia from $791,000 in 1977-78 to $2,035,000 last year. The increase was 157 per cent.

Given the higher bases in other countries, and the industrial incentives available in Malaysia, the figures are behind the real growth rates in Australia, the United States and Japan.

Sharemarket losing momentum

by Peter V O'Brien

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The cost of money is the dominant element in the development of corporate strategies this year. A probable decline in demand is another factor. That is occurring slowly, although it may speed up in the coming months.

High interest rates are with us now, and have already led to the deferral, or likely deferral, of several projects, particularly in hotel facilities for the bottlenecked tourist industry.

Add the present rate of inflation to interest rates, and companies will have a problem financing working capital requirements. Some will ask their shareholders for more equity capital, while those which still have a reasonable gearing will swallow hard and seek additional fixed interest funds.

Companies have to look at the inflation-boosted cost of their materials and plant in conjunction with interest rates. Price rises might be an answer, which further fuels internal inflation, but that can accelerate a drop in demand, as consumers try to live within the constraint of lower disposable incomes in real terms. (The phenomenon of price increases to overcome a decline in demand for a firm's product is a comparatively new economic concept, but is now seen as an aspect of an economy suffering from "stagflation". The regular rise in the price of beer is an example, when rising costs and falling consumption cut into brewery profitability, leading to a price hike, and the possibility of another downturn volume sales).

The lender takes a different view of inflation and interest rates. Any return on investment which is less than the inflation rate is a negative return, and the owner of the money will be better off with funds in "things", which appreciate either at the inflation rate, or in excess of it.

Official decisions on monetary policy will influence these questions, particularly as they are also related to fiscal policy (taxation).

If companies retrench in the face of high interest rates, tight liquidity, falling demand and inflation, their profits are cut and the administration has to cover a rising deficit, which in turn sets up the old cycle again.

The problem, also old, is one of balance.

Assuming the Government can obtain the "right" balance, company profitability could be maintained overall, but various sectors, as always, will do better than others.

Retailing and the various parts of the construction industry are likely to have a dull year on the sharemarket, reflecting their general position in the economy.

Companies involved in processing wood have a good future, with their performance in 1980 subject to the level of international demand. There may be a slowdown in the growth rate of exports and internal sales for these products, but there will still be a reasonable increase.

Rural-based industries may see a drop in farm income. They will be under pressure in the early part of the year to cover farmers' tax requirements, which in turn will move back to a tightening of bank liquidity.

Picking the appropriate stocks is a crystal-ball exercise, but there are two other ways of making a dollar on the market this year, provided one has another crystal ball.

First is the takeover situation. It is now cheaper for companies to acquire a firm with asset values well ahead of the share price than to set up a new facility. A large gap between price and asset backing in a company performing moderately well is the clue to takeover potential. (Unless the offeror is a Brierley, there is little profit in buying trouble in a difficult year, unless a properly throughout plan of change for products, markets and/or management is prepared in advance).

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Dr R J M Crawford, medical superintendent at Queen Mary Hospital, asks: "Do we have to wait until our problem approaches that of France before (we) tackle it?"

A WHO study showed that half the hospital beds and 40% of that country's total expenditure on health care was taken up by the treatment of alcohol-related conditions. The New Zealand consumption is about half that of France, said Crawford, and our share of alcohol related illness is in proportion.

The dispute as to whether wine or beer is the "drink of moderation" is perhaps irrelevant.

The answer seems to be more of what everyone is advocating, from George Gair with his "community cafe" concept, to Lion with its "Cobb & Cos" — smaller, more congenial drinking surroundings with plenty of food available.

A tax system which favours higher quality wines rather than cheap ones which could become a hazardous substitute for beer, would be preferable to the present "ad valorem" method which has seen the rise of the bag-in-the-box at the expense of the traditional technology.

Current cost accounting gets a fresh airing

by Peter V O'Brien

THE Richardson Committee report on current cost accounting was required holiday reading in 1977-78.

Two years later no official action has been taken on the committee's report, and present indications are that nothing will be done this year.

Some companies are presenting inflation-adjusted accounts with their annual reports. The Accountants' Society has issued a statement urging all public groups to prepare CCA figures, and shown them how to carry out the exercise.

This activity apparently left the Government unmoved. The 5 per cent trading stock adjustment allowance no longer exists, being described as a short term measure to meet short term circumstances.

The result is that CCA accounts remain a theoretical exercise, while the administration tries to deal with the problem which first gave rise to the concept; inflation.

Attempts to index wage rates to inflation, if successful, will probably increase the level of the CCA debate. That debate quietened in 1979, although some company chairmen were moved to express concern at historical cost accounting when addressing their annual meetings.

The Waipa County Council was the first employing group to agree to wage indexation, but another major union filed such a claim in December.

If the idea became common (although the indefatigable Government now keeps a wary eye on "free bargaining") the issue would be raised again in relation to company incomes.

The vicious circle is then formed. Until inflation is either beaten (if that is possible), or cut drastically, indexation of wages and company accounts (indices are a vital component of the CCA system) seems only to add to inflationary pressure.

Business organisations would receive a happy surprise if the government took action on CCA in 1980.

In view of Finance Minister Rob Muldoon's preoccupation with other economic matters, it would no doubt be a surprise to him, too, if anything was done.

Other accounting questions will arise this year. The Accountants Society received isolated flak on its recommended accounting practices from companies in 1979.

Scott Group chairman (and multi-board member) David Scott hit the society's guideline of disclosing turnover figures. Scott argued that disclosure of his company's turnover would be misleading, because of the complex manufacturing and wholesaling aspects of the business.

The argument had little effect on the society. Scott Group may have a problem, particularly when its figures are compared with other companies, a matter which particularly concerned David Scott.

Analysts and other people who examine accounts of different companies in an industry, or of groups in different industries, are aware that direct comparisons are impossible, for many reasons, including those which Scott put forward.

A few other companies bucked the society's recommendation on turnover disclosure, but the majority decided to go along with it.

Companies which refused already have a reputation in the marketplace for dreadful reporting, so their shareholders would be little concerned at failure to see turnover for yet another year.

Brierley Investments chairman, Ron Brierley, also took a swipe at the Accountants Society, an organisation with which he has failed to agree on many occasions. (But time passes. Some of Brierley's "outrageous" accounting policies of yesteryear are an common practice, and others may be so in future).

The "tags" which auditors place on accounts get the usual star treatment in newspapers, but they have little effect on the shareholders. I have attended many company annual meetings over the years, including cases where the accounts were tagged.

I have never heard a shareholder query the directors about the tag, although it may happen occasionally in other places. This suggests:

- The shareholders are happy with the way the company is run.
- They lack knowledge about the report which the law demands they should receive.
- They don't care.

Given the poor attendance at company meetings (unless a party is to follow, or the company has a reputation for giving presents of its products) the last alternative may be the answer.

Matters change when companies get into trouble. The shareholders then look for blood, blame the auditors, want to know why the law and Accountants' Society's rules fail to cover the situation, and generally renew interest in their company's affairs.

Questions of accounting for inflation, accounting standards, and auditors' tags on accounts would receive quick answers if shareholders stopped taking the view that they can do nothing about their companies.

The cost of Bankcard

Melbourne Correspondent

AUSTRALIA'S credit card system "Bankcard" was used to provide $A1,708 million in goods, services, and cash advances last financial year but the system has yet to recoup the high establishment costs for Australian banks.

The ANZ Banking Group annual report records a profit of $A1.7 million on Bankcard in the year to September.

In 1978 it earned a profit of $A806,000.

But the ANZ still has accumulated loss of $4 million on the operation of Bankcard since its inception.

The Commonwealth Bank and the Bank of New South Wales together have lost about $A25 million.

Although the full extent of Bankcard's total loss is not known, estimates have put it as high as $A50 million since it began in October 1974.

Installation costs of electronic equipment were high (around $A12 million) and annual operating costs have amounted to a further $[illegible] million.

Australian Bankers' Association director, Ron Cameron, who helped to establish Bankcard, said it was an expensive organisational structure to set up.

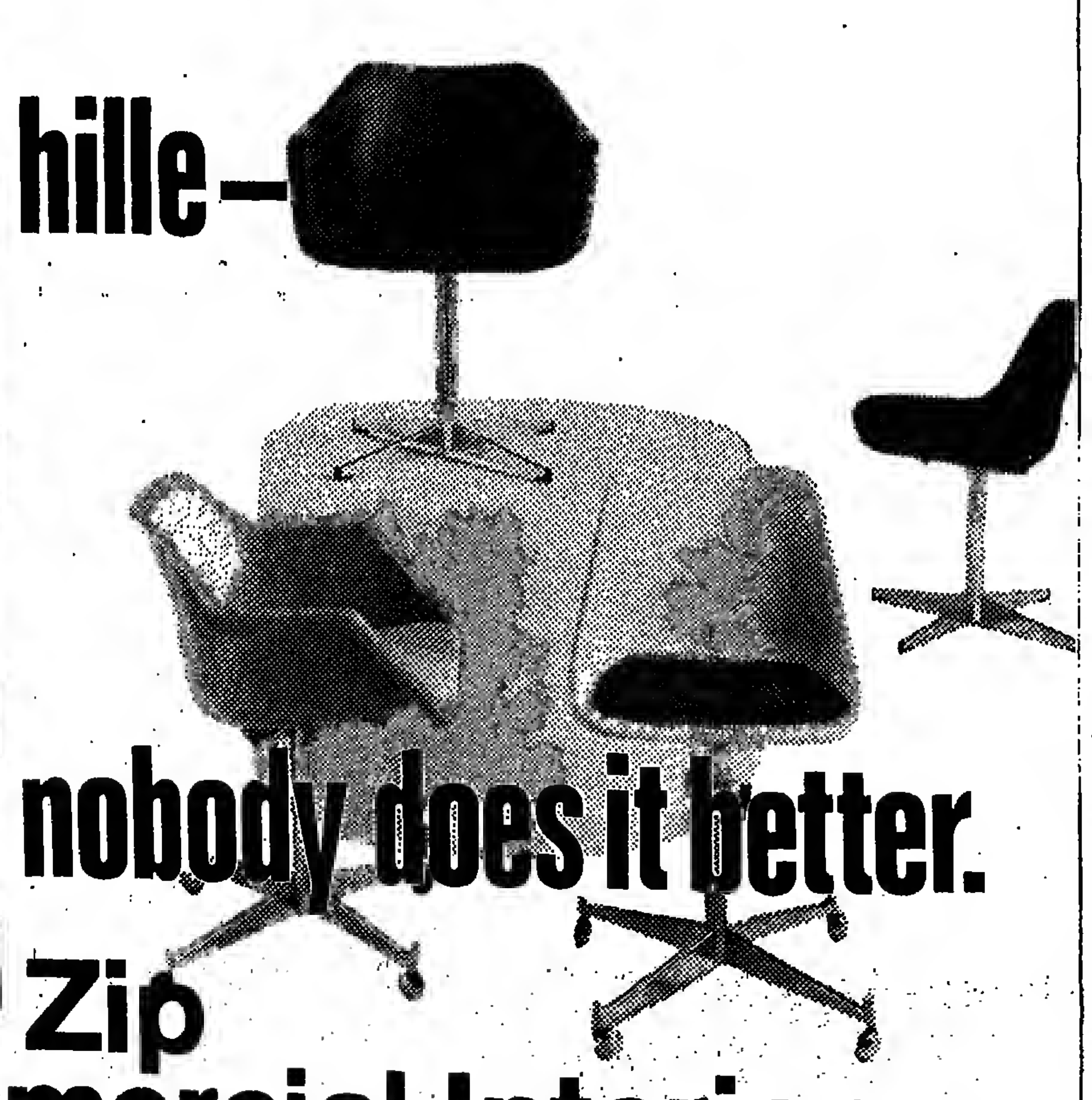
Each bank runs its own bankcard, and the paper which comes out of the vouchers is processed in a central computer system run by Chargecard Services, the company providing facilities for the scheme.

Though running its own bankcard system, each bank is obliged to pay its share in running the overall system.

Cameron said these costs were high. There are staffs maintained in [illegible] authorisation centre, a [illegible] centre, and a security [illegible] running the Bankcard [illegible].

Cameron said it [illegible] expected that operating [illegible] would exceed [illegible] some years, but [illegible] each bankcard operation [illegible] the individual banks [illegible] become profitable [illegible] would vary from bank to bank, because each [illegible] different numbers [illegible] holders and different [illegible] of businesses on [illegible] whom they give [illegible] moment sales [illegible] deposited.

Even when the [illegible] become profitable [illegible] nual basis, it would [illegible] years before [illegible] losses were [illegible]



O'Brien on business

Goods movement by air increases

by Peter V O'Brien

AIR transport is rapidly increasing as a transport option for New Zealand imports and exports.

The Department of Statistics recently published figures for the value (but not for volume) of air freighted imports and exports for the year to June 30, 1979.

The fob (free on board) value of New Zealand produce exported (excluding the re-export of imported merchandise) rose 37.5 per cent to $175,277,000, compared with $127,404,000 in the previous June year.

The total value of all exports went up 22.8 per cent in the same period, according to the department's summary of overseas trade.

Airfreighted imports were 29.2 per cent higher than in 1978, while total imports rose only 16.8 per cent in value.

The trend has been apparent for some years, and covers a wide range of goods.

There are several reasons for the growing tendency to ship goods by air. Speed is an obvious one. The development of rapid, long-haul jets offsets the increased "cost" of air freight, although the higher "cost" can be more theoretical than real, depending on the product.

Larger aircraft, combined with speed, allow the airlines to carry more freight, and economies of scale have an effect on the freight rate, compared with the costs some years ago.

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